PAN ORIENT ENERGY CORP.

2005 MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2005

The following Management Discussion and Analysis ("MD&A") is prepared effective May 1, 2006 and should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2005, and 2004. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

The MD&A contains forward-looking information regarding the Company. Because forward-looking information addresses future events and conditions, it involves risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking information. These risks and uncertainties include, but are not limited to: commodity price levels; production levels; royalty and depletion rates; the recoverability of reserves; transportation availability and costs; operating and other costs; interest rates and currency exchanges rates; and changes in environmental and other legislation and regulations.

Pan Orient Energy Corp. ("Pan Orient" or the "Company") is a junior oil and natural gas company based in Calgary, Alberta, which holds properties in northern Alberta and onshore Thailand and actively pursues opportunities in Asia for the acquisition of exploration acreage and exploration of oil and natural gas.

Effective April 8, 2005, Pan Orient (formerly Welwyn Resources Ltd.) completed a reverse take-over (the "Reverse Take-Over") involving the acquisition of all of the issued and outstanding shares of Pan Orient Energy Ltd., whereby the shareholders of Pan Orient Energy Ltd. acquired control of Pan Orient. The Reverse Take-Over resulted in a change of control of Pan Orient, including the resignation of all of the then current officers and directors of Pan Orient and the appointment of all of Pan Orient Energy Ltd.'s officers and directors to the corresponding positions of Pan Orient.

As Pan Orient Energy Ltd. is deemed to be the acquirer, by virtue of the reverse take-over, and as such the reporting issuer , the consolidated statements of loss and deficit and the consolidated statements of cash flows for the 2004 comparative year reflect only the accounts of Pan Orient Energy Ltd. Prior to the reverse take-over the Company had not conducted any operations other than the acquisition of non-producing oil and gas properties and as such its interest income and administrative expenses prior to that date were capitalized as acquisition costs. Included in the year ended December 31, 2005 are the accounts of Pan Orient (formerly Welwyn Resources Ltd.) from April 8, 2005, forward.

On October 21, 2005, Pan Orient acquired 92 percent of the issued and outstanding shares of Tiger Petroleum Inc. ("Tiger"), and as such included in the year ended December 31, 2005 are the accounts of Tiger from October 21, 2005, forward.

Selected Quarterly Information

	2005				2004
	Q4	Q3	Q2	Q1	
Revenues					
Oil - Thailand	$ 274,963	-	-	-	-
Royalties - Thailand	(33,288)	-	-	-	-
Interest - Canada	61,523	54,472	49,890	-	-
	303,198	54,472	49,890	-	-
Expenses					
Stock based compensation	101,553	96,920	484,600	-	-
General and administrative	173,199	110,776	117,644	-	-
Foreign new ventures expenditures	257,601	-	-	-	-
DD & A	98,054	2,943	2,943	-	-
Production and operating	67,969	-	-	-	-
Non-controlling interest	4,440	-	-	-	-
Interest on convertible debentures	4,017	-	-	-	-
	$ 706,833	210,639	605,187	-	-
Net loss	(403,635)	(156,167)	(555,297)	-	-
Loss per share	(0.02)	(0.01)	(0.02)	-	-

The Company recorded gross revenues of $440,848 for the year ended December 31, 2005. Oil revenues from Thailand oil production of 87 bbl/d, net to Pan Orient, were recorded from November 1 forward and totaled $274,963, or $51.85/bbl. The Company's Wichian Buri crude price averaged 72% of the WTI marker crude price throughout 2005. 2006 oil revenues are expected to increase substantially once the Company initiates its multi-well drilling program scheduled to begin later in the second quarter of 2006. Royalty expenses on the Thailand oil production were $33,288, or approximately 12 percent of oil revenues. The included government royalty is 5% of production up to 2,000 bbl/d, and increases to 6.25 % for production between 2,000 bbl/d and 5,000 bbl/d. Also included in the royalty expense is a gross overriding royalty that is expected to average between 8% and 10% within the small area of existing production. Drilling outside of this overriding royalty encumbered area will only be subject to the state royalty. Also included in revenue is interest income of $165,885 earned on the Company's cash deposits.

On April 28, 2006, Pan Orient announced the issue of 8,000,000 common shares, at a price of $3.75 per share, for total gross proceeds of $30,000,000 (approximately $28,200,000 net of commission). At May 1, 2006 the Company has approximately $31,500,000 of uncommitted cash which will yield initial annualized interest of over $1,000,000.

General and administrative expenses for the 2005 year totaled $401,619. An additional $246,319 directly relating to exploration and development expenses were capitalized. Management believes the Company's general and administrative cost structure is amongst the lowest in its peer group.

2005 non-cash stock based compensation expense was $683,073. This included a $484,600 expense in the second quarter of 2005 upon listing on the TSX Venture Exchange and initial implementation of the Company's stock option plan. As required under Canadian GAAP the Company uses the fair value method to account for its stock based compensation.

The Company has adopted a policy with respect to its foreign new ventures expenditures that expenses all costs of investigating, bidding and acquiring petroleum properties prior to obtaining a petroleum lease or concession. Costs may be deferred on projects for which a bid is outstanding or for seismic costs in which seismic data is obtained in an area that the Company has existing plans to bid or negotiate a concession in the near term. Included in the $257,601 foreign new ventures expense during 2005 are costs related to unsuccessful bids in the India NELP-V bid round and an Indonesia bid, and costs related to the Company's existing MOU's in China.

November and December Thailand production and operating costs totaled $67,969, or $12.82/bbl. A large component of these costs are fixed, and as such the per barrel production and operating costs are expected to be reduced as production increases after the summer drilling program.

Depletion, depreciation and accretion (DD&A) totaled $103,940 for 2005. The largest component was depletion related to November and December Thailand oil production. The 2005 DD&A of $19.60/bbl is expected to decrease if the Company is successful in converting probable reserves on the Thai properties into proven reserves.

Fourth quarter 2005 interest on Tiger's outstanding convertible debentures totaled $4,017. On March 30, 2006 Pan Orient paid out the remaining $86,162 of convertible debentures.

A significant portion of the 2005 loss of $1,115,099 ($0.05 per share) is attributable to the non-cash stock based compensation expense of $683,073.

During 2005, the Company paid its officers, either directly or indirectly to Companies controlled by them, $320,000 (2004-$157,666) for consulting and management services.

On October 21, 2005 Pan Orient acquired approximately 92 percent of the issued and outstanding shares of Tiger, and retired $1,155,178 of existing Tiger convertible debentures. Under the terms of the offer, each 4.25 Tiger shares were entitled to receive 1 Pan Orient share. Tiger convertible debenture holders were entitled to receive either i) cash consideration at face value plus accrued interest or ii) 870 Pan Orient shares for every $1,000 of principle and accrued interest. On October 21, 2005 Pan Orient issued 3,814,023 shares and paid $439,120 to former Tiger shareholders. The remaining 8 percent of Tiger shares were acquired in the first quarter of 2006 under the compulsory acquisition provisions contained in the Quebec Companies Act, and the Tiger shares were delisted from TSX venture exchange. Included on the Company's 2005 balance sheet is a non-controlling interest value related to the final 8 percent of yet unacquired shares.

Prior to Pan Orient's $30,000,000 financing of April 28, 2006, the Company completed three financings for aggregate gross proceeds of $12,500,000. These financings closed on December 31, 2004, February 24, 2005 and April 8, 2005.

Pan Orient has approximately $31,500,000 of uncommitted available cash:

- for exploration and development activities on its two existing concessions in Thailand,
- to fund the Company's proposed three year firm work program on a new Thai concession (contingent on the pending award),
- for further drilling and development of the Company's Sawn Lake interest,
- for continued new venture activities focused on Thailand, India, Indonesia, and China.

If the Company requires additional capital beyond its existing cash it would likely be provided through additional equity financing.

The Company is listed on the TSX Venture Exchange. The fully-diluted number of shares outstanding at the following dates were:

Shares Outstanding	May 1 2006	December 31 2006
Common shares	35,681,973	27,362,810
Employee stock options	2,768,150	2,350,000
Broker compensation options	240,000	-
Fully-diluted shares outstanding	38,690,123	29,712,810

CRITICAL ACCOUNTING POLICIES

Pan Orient follows the full cost method to account for its petroleum and natural gas operations, whereby all costs of exploring for and developing petroleum and natural gas reserves are capitalized and accumulated in country-by-country cost centres. These capitalized costs will be depleted using the unit-of-production method based on estimates of proved reserves. The costs in cost in cost centres from which there has been no commercial production are not subject to depletion until commercial production commences. These capitalized costs are assessed to determine whether it is likely such costs will be recovered in the future. Costs which are not likely to be recovered in the future are written-off.

The Company follows the liability method of accounting for income taxes. At the end of each reporting period the Company estimates its tax pool balances and quantifies differences between the tax pools and the accounting balances. The Company has an excess of tax pools over its accounting balances. The determination of the amount of the tax asset is a matter of judgment. With the complexity of income tax laws and the use of estimations in determining the utilization of income tax pools, the income tax asset or liability may differ from that recorded.

Tax liabilities require interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of time. Accordingly, the actual income tax asset or liability may differ from that recorded.

BUSINESS RISK

Companies engaged in the oil and gas industry are exposed to a number of business risks, which can be described as operational, financial and political risks, many of which are outside of Pan Orient's control. More specifically these risks include risks of economically finding reserves and producing oil and gas in commercial quantities, marketing the production, commodity prices, environmental and safety risks, and risks associated with the foreign jurisdiction in which it operates. In order to mitigate these risks, the Company has an experienced base of qualified personnel, technical and financial in both Canada and Thailand, and maintains an insurance program that is consistent with industry standards. Further, the Company has focused its foreign operations in a known hydrocarbon basin in a jurisdiction that has previously established long-term oil and gas ventures with foreign oil and gas companies.

DISCLOSURE CONTROLS

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures at December 31, 2005 and have concluded that such disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company is made known to them.

ADDITIONAL INFORMATION

Additional information relating to the Company can also be found on SEDAR at www.sedar.com.

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