PAN ORIENT ENERGY CORP.

2007 MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2007

The following Management's Discussion and Analysis ("MD&A") is prepared effective May 31, 2007, and should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto for the three months ended March 30, 2007 and the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2006. 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 exploration of oil and natural gas.

Selected Quarterly Information

		2007	2006				2005		
		Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues									
Oil - Thailand	$	1,572,582	430,609	263,586	265,171	297,081	274,963	-	-
Royalties - Thailand		(119,486)	(52,150)	(36,808)	(37,247)	(53,075)	(33,288)	-	-
Interest - Canada		125,065	206,949	206,823	247,971	43,084	61,523	54,472	49,890
		1,578,161	585,408	433,601	475,895	287,090	303,198	54,472	49,890
Expenses									
Stock based compensation		641,534	518,412	254,331	677,024	323,354	101,553	96,920	484,600
General and administrative		550,188	710,536	390,792	432,441	209,491	173,199	110,776	117,644
Foreign new ventures expenditures		40,000	126,297	-	-	-	257,601	-	-
DD & A		789,733	444,311	135,205	120,738	143,609	98,054	2,943	2,943
Production and operating		546,050	535,360	64,642	115,033	109,171	67,969	-	-
Non-controlling interest		(127,565)	(29,139)	-	-	-	4,440	-	-
Interest on convertible debentures		-	-	-	-	-	4,017	-	-
Foreign exchange loss (gain)		(88,357)	(201,477)	(20,394)	51,653	29,093	-	-	-
Future income tax reduction		(70,450)	(1,072,000)	-	-	-	-	-	-
		2,281,133	1,032,300	824,576	1,396,889	814,718	706,833	210,639	605,187
Net loss	$	(702,972)	(446,892)	(390,975)	(920,994)	(527,628)	(403,635)	(156,167)	(555,297)
Loss per share	$	(0.02)	(0.01)	(0.01)	(0.03)	(0.02)	(0.02)	(0.01)	(0.02)

OIL AND GAS ASSETS

The Company's principle oil and gas assets consist of:

- a 60 percent working interest in 2,000,000 acres of exploration and production licenses onshore Thailand. This is held in 2 concessions; L44/43 which currently has oil production and L33/43 which currently has no production. Pan Orient is the operator of both of these concessions.

- a 100 percent working interest, with Pan Orient as operator, in a 1,000,000 acre concession onshore Thailand. This Concession was awarded to the Company in January 2007 and currently has no production or recognized reserves.

- a 67 percent ownership of Andora Energy Corporation ("Andora"), a private oil and gas company with oil sand leases in Alberta containing probable + possible recoverable reserves of 179 million barrels of oil, as defined by an independent third party engineering firm. This property currently has no production.

HIGHLIGHTS

The Company recorded oil revenues of $1,572,582 for the three months ended March 31, 2007, an increase of 429% over the $297,081 recorded in the same period of 2006. Oil revenues in the first quarter of 2007 were 25% higher than the entire 2006 year. Thailand oil production averaged 344 bbl/d, net to Pan Orient, in the first three months of 2007, as new wells came onto production, including the POE-9 oil discovery in mid January. Oil production for the same period in 2006 averaged 60 bbl/d. Oil prices averaged $50.85/bbl during the first quarter of 2007. Oil revenues are expected to increase substantially in the near future as the Company is currently drilling the initial wells in its announced program of up to 37 wells.

Royalty expenses on Thailand oil production were $119,486 during the first quarter of 2007 (up from $53,075 in the same period of 2006), or 7.6% of sales. The included government royalty is 5% of gross production up to 2,000 bbl/d, and increases to 6.25% for gross production between 2,000 bbl/d and 5,000 bbl/d. Also included in royalty expense is a 10% gross overriding royalty on the bulk of production area in the Wichian Buri oil field only. Drilling outside of this overriding royalty encumbered area is only subject to the government royalty. The Company's recent POE-9 oil discovery area is not subject to the gross overriding royalty, nor would the Na Sanun appraisal wells, which are currently being drilled.

At March 31, 2007 the Company had approximately $10.2 million of cash on hand, including $0.4 million cash inside Andora. Interest income for the first quarter of 2007 was $125,065, compared to $43,084 in the same 2006 period.

Non-cash stock based compensation expenses totaled $641,534 in 2007, up from $323,354 in 2006. As required under Canadian GAAP, the Company uses the fair value method to account for its stock based compensation. Included in non-cash stock based compensation expense is $300,000 related to stock options granted in Andora. These options entitle the holders to acquire common shares of Andora.

General and administrative expenses (G&A) for the first three months of 2007 totaled $550,188 as compared to $209,491 in the same 2006 period. The 2007 G&A levels reported reflect the additional Thai staff and administration costs relating to the increased levels of drilling and production activities that did not exist in the first three months of 2006. Additionally, 2007 G&A reflects the full costs of the Andora operation that also did not exist in the same period of 2006. The Company does not anticipate any significant G&A increases during 2007, as it feels it is adequately staffed for planned growth.

Thailand production and operating costs totaled $546,050 ($14.98/bbl, net of minor workovers) in the first quarter of 2007 (2006-$109,171). Operating costs during all of 2006 were $26.83/bbl. A significant portion of the Thailand operating costs are fixed, including expatriate production managers' salaries. Per barrel Thailand production and operating costs are expected to continue to fall as production further increases.

Depletion, depreciation and accretion (DD&A) totaled $789,733 in the first quarter of 2007 (2006-$143,609). The largest component was depletion of $750,000 ($24.25/bbl) relating to Thailand oil production. The Company's depletion rate is high due to the continued production success of the POE-9 well (which is still producing at over 300bbl/d), coupled with the relatively low proved reserves attributed to the well in the 2006 year end reserve report. With the expected production success and drilling success in the Thailand appraisal program, the Company anticipates additional proved reserves being assigned to Thailand holdings leading to a potentially lower depletion rate per barrel.

The Company expensed $40,000 in foreign new venture expenditures in 2007 (2006 - $0). These expenses relate to costs incurred pursuing development activities in India.

As a result of holding both Thai baht and US dollar currency and working capital, the Company posted a foreign exchange gain of $88,357 in the first three months of 2007, as compared to a loss of $29,093 in the same 2006 period.

The loss for the 2007 period of $0.7 million ($0.02 per share) is attributable to non-cash stock based compensation of $0.6 million and DD&A of $0.8 million. During the first quarter of 2006, the Company posted a loss of $0.5 million ($0.02 per share).

As a result of increased production levels, the Company generated positive cash flow from its consolidated operating activities of $441,923 for the three months ended March 31, 2007. This is the first quarter in which the Company has posted positive cash flow from operating activities.

LIQUIDITY

At March 31, 2007, Pan Orient had approximately $13.7 million of working capital, including $10.2 million in unassigned cash deposits. Approximately $0.4 million of working capital resides inside Andora and is available for its heavy oil program. The remaining $13.3 million of working capital is inside Pan Orient and its Thai subsidiaries and is available for:

- the approved Phase 2, Thai drill program, of up to 37 wells, which began in April 2007;
- the potential exercise by the Company of 2,250,000 Andora warrants for $3,600,000 ($1.60 per share). These warrants were received in 2006 in conjunction with the 4,981,481 Andora common share subscription; and
- continued new venture activities focused on Thailand, India, Indonesia, and China.

If the Company requires additional capital beyond its existing cash, it will likely be sourced through additional equity financing.

Included in the accounts receivable balance of $4.5 million are cash calls to the Company's joint venture partner, of $3.0 million, the bulk of which was collected subsequent to quarter end.

In addition to the $13.7 million of working capital the Company has $3.7 million of other cash deposits, generally securing longer term projects. One such being a $1.87 million USD relating to a new concession agreement the Company signed on January 9, 2007 with the government of Thailand for block L53/48, located onshore Thailand. The concession agreement includes a minimum three year first exploration phase commitment of $1,870,000 USD, for which the Company posted a standby letter of credit, secured by cash, in the first quarter of 2007. The remainder of the deposits of $1.4 million generally relate to customs deposits, approximately half of which the Company expects will be refunded over the next year. Also the Company holds capital inventory, included in capital assets, of several hundred thousand dollars in casing and pumps at the end of March 2007 in preparation for the current drilling program.

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

Shares Outstanding	May 31 2007	March 31 2007
Common shares	40,056,842	40,056,842
Employee stock options	3,793,150	3,793,150
Underwriter compensation options	240,000	240,000
Fully-diluted shares outstanding	44,089,992	44,089,992

SUBSEQUENT EVENT

On May 23, 2007, the Company's subsidiary, Andora Energy Corporation, announced it had entered into a letter of intent to combine with Signet Energy Inc. ("Signet"), a private oil and gas company holding heavy oil interests in Sawn Lake, Alberta. The combination will be effected by way of a plan of arrangement under the *Business Corporations Act* (Alberta) whereby the security holders of Signet will receive, in aggregate, 17,500,000 common shares of Andora (subject to adjustment) with a deemed value of $50,000,000. The combination is subject to several conditions, including the approval of Signet security holders, and if successful would decrease Pan Orient's current ownership of Andora from 67% to approximately 48%. Pan Orient also holds warrants to purchase additional common shares of Andora which, if exercised, would result in ownership of 49.4% of the combined company.

CHANGE IN ACCOUNT POLICIES - FINANCIAL INSTRUMENTS

Effective January 1, 2007, Pan Orient adopted new Canadian accounting standards relating to accounting for financial instruments. Under the new standards, Pan Orient must recognize all financial instruments and non-financial derivatives, including embedded derivatives, as assets or liabilities and report them in its financial statements. Fair value accounting is deemed to be the most relevant measure for financial instruments and the only relevant measure for derivative financial instruments. Fair value accounting involves recording the financial instrument in the balance sheet as either an asset or a liability with changes in the fair value reflected in net earnings, regardless of whether the change in fair value has been realized or not. In addition, the new standards provide that hedge accounting treatment is available for items designated as being part of an effective hedging relationship. Their was no impact on the financial statements as a result of adopting the new standards.

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.

ADDITIONAL INFORMATION

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

NOTICE TO READER

Management has compiled the unaudited interim consolidated financial information of Pan Orient Energy Corp. consisting of the interim consolidated Balance Sheets at March 31, 2007 and the interim consolidated Statements of Loss and Deficit and interim consolidated Statements of Cash Flows for the three month periods ended March 31, 2007 and 2006. Please note the interim financial statements have not been reviewed or audited by external auditors.

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