PAN ORIENT ENERGY CORP.

2006 MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto for the nine months ended September 30, 2006 and the audited consolidated financial statements and notes thereto and MD&A for the year ended December 31, 2005. 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 exchange 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.

On April 8, 2005, Pan Orient Energy Corp. (formerly Welwyn Resources Ltd.) acquired of all of the issued and outstanding shares of Pan Orient Energy Ltd. This 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 a result of the transaction, the former shareholders of Pan Orient Energy Ltd. acquired control of Pan Orient.

As Pan Orient Energy Ltd. is deemed to be the acquirer, the consolidated financial statements prior to April 8, 2005, 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 financial statements 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"), as such the accounts of Tiger are included in the financial statements from October 21, 2005, forward. The remaining 8 percent was acquired in January, 2006.

Selected Quarterly Information

		2006			2005		
		Q3	Q2	Q1	Q4	Q3	Q2
Revenues							
Oil - Thailand	$	263,586	265,171	297,081	274,963	-	-
Royalties - Thailand		(36,808)	(37,247)	(53,075)	(33,288)	-	-
Interest - Canada		206,823	247,971	43,084	61,523	54,472	49,890
		433,601	475,895	287,090	303,198	54,472	49,890
Expenses							
Stock based compensation		254,331	677,024	323,354	101,553	96,920	484,600
General and administrative		390,792	432,441	209,491	173,199	110,776	117,644
Foreign new ventures expenditures		-	-	-	257,601	-	-
DD & A		135,205	120,738	143,609	98,054	2,943	2,943
Production and operating		64,642	115,033	109,171	67,969	-	-
Non-controlling interest		-	-	-	4,440	-	-
Interest on convertible debentures		-	-	-	4,017	-	-
Foreign exchange loss (gain)		(20,394)	51,653	29,093	-	-	-
	$	824,576	1,396,889	814,718	706,833	210,639	605,187
Net loss		(390,975)	(920,994)	(527,628)	(403,635)	(156,167)	(555,297)
Loss per share		(0.01)	(0.03)	(0.02)	(0.02)	(0.01)	(0.02)

ANDORA ACQUISITION

During the three months ended September 30, 2006 the Company acquired 67 percent of the issued and outstanding shares of Andora Energy Corporation ("Andora"). This was done via a series of transactions resulting in: (i) the disposition of the Company's Canadian oil and natural gas properties (Sawn Lake assets) in exchange for 10,000,000 shares of Andora; (ii) the Company subscribing for 4,981,481 Andora common shares for $6,275,000 cash; and (iii) the Company acquiring an additional 13,414,634 Andora common shares from existing Andora common shareholders for consideration of $2,145,621 in cash and the issuance of 4,257,222 Pan Orient shares. Andora is a private oil and gas company with oil sand leases in the Sawn Lake area of Northern Alberta. The Company's 100% owned subsidiary (Pan Orient Energy Ltd.) and Andora then amalgamated, immediately prior to which time all of Pan Orient Energy Ltd.'s remaining assets were transferred to Pan Orient Energy Corp.

As a result of other parties owning the remaining 33% of Andora, Pan Orient's financial statements record a non-controlling interest representing the portion of assets and liabilities not owned by Pan Orient. Pan Orient has not recorded the net loss of Andora for the three months ended September 30, 2006, as the amount is not significant.

HIGHLIGHTS

The Company recorded oil revenues of $263,586 for the three months ended September 30, 2006, bringing the nine month total to $825,838. Thailand oil production averaged 50 bbl/d, net to Pan Orient, during the third quarter and 53 bbl/d for the first nine months of 2006. Oil prices averaged $57.80/bbl in the third quarter and $57.69/bbl for the first nine months of the year. Oil revenues are expected to increase substantially in the near future as the Company begins production of its newly drilled wells. Royalty expenses on Thailand oil production were $36,808 for the third quarter bringing the nine month total to $127,130 or 15% of sales. 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 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 government royalty.

At September 30, 2006 the Company had approximately $18.7 million cash on hand, plus an additional $3.5 million cash inside Andora. Interest income for the third quarter on Pan Orients' cash deposits was $206,823.

General and administrative expenses for the third quarter of 2006 totaled $390,792, bringing the nine month total to $1,032,724. An additional $141,666 directly relating to exploration and development expenses was capitalized during the nine months ended September 30, 2006. Third quarter G & A expenses increased over the prior year, as the Company hired additional staff in preparation for its Thai drill program that began in July 2006.

Third quarter non-cash stock based compensation expense was $254,331. The nine month stock based compensation expense is $1,254,709. As required under Canadian GAAP, the Company uses the fair value method to account for its stock based compensation.

Thailand production and operating costs totaled $64,642 ($14.18/bbl) for the three months ended September 30, 2006. Year to date Thailand production and operating costs totaled $288,846 ($20.17/bbl). A large component of these costs are fixed. The per barrel Thailand production and operating costs are expected to fall as production increases.

Depletion, depreciation and accretion (DD&A) totaled $399,552 ($27.91/bbl) for the nine month period. The largest component was depletion ($264,000) related to Thailand oil production. The DD&A per barrel is expected to decrease if the Company is successful in converting probable reserves on the Thai properties into proven reserves.

As a result of holding both Thai baht and US dollar currency, the Company posted a foreign exchange gain of $20,394 in the third quarter. The nine month foreign exchange loss totals $60,352.

Nearly $370,000 of the third quarter loss of $390,975 ($0.01 per share) is attributable to non-cash items: stock based compensation, DD&A and unrealized foreign exchange. The year to date loss of $1,839,597 ($0.06 per share) is also largely comprised of the same non-cash expenses.

During the first nine months of 2006, the Company paid its officers, either directly or indirectly to companies controlled by them, $262,500 (2005: $260,500) for consulting and management services.

The Company spent approximately $2.3 million on capital activities during the third quarter, primarily related to the drilling program onshore Thailand.

On October 21, 2005, Pan Orient acquired approximately 92 percent of the issued and outstanding shares of Tiger. The remaining 8 percent of Tiger shares were acquired early in the first quarter of 2006, in exchange for 319,163 Pan Orient common shares, 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 shares that were acquired in January 2006.

LIQUIDITY

At September 30, 2006, Pan Orient had approximately $23.9 million of working capital with the vast majority in cash deposits. Approximately $3.7 million of working capital resides inside Andora and is available for its heavy oil program. The remaining $20.2 million of working capital is inside of Pan Orient and its Thai subsidiaries, and is available for:

- continuation of the Thailand Phase 1 eight well drill program through December 2006;
- the proposed Phase 2, 15-20 well drill program scheduled to begin in early 2007;
- the Company's proposed three year firm work program on a new Thai concession that has been bid on (contingent on the pending award);
- the potential exercise of 2,250,000 Andora warrants for $3,600,000 ($1.60 per share). These warrants were received 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 $2.7 million are cash calls to the Company's joint venture partner, of $1.7 million, which was collected subsequent to September 30, and approximately $0.5 million advanced by Andora towards its Sawn Lake drill 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	November 30 2006	September 30 2006
Common shares	40,056,842	40,056,842
Employee stock options	3,793,150	3,393,150
Underwriter compensation options	240,000	240,000
Fully-diluted shares outstanding	44,089,992	43,689,992

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 September 30, 2006 and the interim consolidated Statements of Loss and Deficit and interim consolidated Statements of Cash Flows for the three and nine month periods ended September 30, 2006 and 2005. Please note the interim financial statements have not been reviewed or audited by external auditors.

PAN ORIENT ENERGY CORP.
650, 101 - 6th Avenue SW, Calgary Alberta Canada T2P 3P4