Bayou Bend Petroleum Ltd.
(formerly KIT RESOURCES LTD.)

(A Development Stage Company)

FINANCIAL STATEMENTS

31 DECEMBER 2006 and 2005

PRICEWATERHOUSECOOPERS

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AUDITORS' REPORT

To the Shareholders of Kit Resources Ltd.:

We have audited the balance sheet of Kit Resources Ltd. (the "Company") as at December 31, 2006 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2005 and for the year then ended were audited by predecessor auditors who expressed an opinion without reservation on those statements in their report dated February 23, 2006.

(Signed) PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, B.C.
February 13, 2007

Bayou Bend Petroleum Ltd.
(formerly Kit Resources Ltd.)

(A Development Stage Company)

Balance Sheets

As at 31 December

Expressed in Canadian Dollars

ASSETS		2006		2005
Current				
Cash and cash equivalents	**$**	**2,954,363**	$	2,775,012
GST and interest receivable		**12,978**		2,024
Prepaid expenses and deposits		**15,000**		-
		2,982,341		2,777,036
Mineral Property Costs - *Schedule (Note 4)*		**-**		289,019
	$	**2,982,341**	$	3,066,055

LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**61,672**	$	13,857
Due to related parties *(Note 6)*		**20,921**		94,693
		82,593		108,550

SHAREHOLDERS' EQUITY				
Share Capital *(Note 5a)*		**54,962,864**		52,999,632
Share Subscriptions		**-**		2,759,750
Contributed Surplus *(Note 5a)*		**1,780,768**		-
Deficit		**(53,843,884)**		(52,801,877)
		2,899,748		2,957,505
	$	**2,982,341**	$	3,066,055

Going Concern (Note 1)
Subsequent Events (Note 9)

APPROVED BY THE BOARD:

"Mathew J. Mason" ____________________, Director
Matthew J. Mason

"Peter D. Leitch" ____________________, Director
Peter D. Leitch

- See Accompanying Notes -

Bayou Bend Petroleum Ltd.
(formerly Kit Resources Ltd.)
(A Development Stage Company)

Statements of Loss and Deficit

Expressed in Canadian Dollars

	Year Ended Dec. 31 2006	Year Ended Dec. 31 2005
General and Administrative Expenses		
Audit, accounting and legal *(Note 6biii)*	$ 80,964	$ 25,937
Consulting *(Note 7)*	68,765	-
Listing, filing and transfer agent fees	38,132	12,343
Management fees *(Note 6bi)*	30,000	20,000
Office and miscellaneous	14,006	12,798
Property investigation	41,198	-
Rent	17,978	17,921
Secretarial *(Note 6bii)*	32,784	30,000
Shareholder communications	1,251	1,638
Stock option compensation *(Note 5biii)*	489,000	-
Travel and accommodation	9,492	-
Loss Before the Following	823,570	120,637
Other Income and Expenses		
Write-down of mineral property costs	290,277	-
Interest and investment income, *net*	(71,840)	(53)
	218,437	(53)
Loss for the Year	1,042,007	120,584
Deficit - Beginning of year	52,801,877	52,681,293
Deficit - End of Year	$ 53,843,884	$ 52,801,877
Loss per Share - Basic and Fully Diluted	$ 0.01	$ 0.00
Weighted Average Number of Shares Outstanding	80,951,687	39,873,580

- See Accompanying Notes -

Bayou Bend Petroleum Ltd.
(formerly Kit Resources Ltd.)
(A Development Stage Company)

Statements of Cash Flows

Expressed in Canadian Dollars

Cash Resources Provided By (Used In)	**Year Ended Dec. 31 2006**	Year Ended Dec. 31 2005
Operating Activities		
Loss for the year	**$ (1,042,007)**	$ (120,584)
Items not affecting cash:		
Write-down of mineral property costs	**290,277**	-
Stock option compensation	**489,000**	-
Changes in non-cash working capital	**21,861**	10,001
	(240,869)	(110,583)
Investing Activities		
Mineral property costs	**(1,258)**	(136)
Financing Activities		
Advances from (to) related parties	**(73,772)**	75,654
Share capital subscriptions	**-**	2,759,750
Issuance of share capital, *net*	**495,250**	-
	421,478	2,835,404
Net Increase in Cash and Cash Equivalents	**179,351**	2,724,685
Cash and cash equivalents - Beginning of year	**2,775,012**	50,327
Cash and Cash Equivalents - End of Year	**$ 2,954,363**	$ 2,775,012

- See Accompanying Notes -

Bayou Bend Petroleum Ltd.
(formerly Kit Resources Ltd.)

(A Development Stage Company)

Schedule of Mineral Property Costs

For the Years Ended 31 December

Expressed in Canadian Dollars

	2006			
	Acquisition	Deferred Exploration	**Total**	2005 Total
Direct - Mineral				
Copperline Property, B.C.				
Geological	$ -	$ 880	**$ 880**	$ 136
Mapping	-	378	**378**	-
	-	1,258	**1,258**	136
Costs for the Year	-	1,258	**1,258**	136
Balance - Beginning of year	72,444	216,575	**289,019**	288,883
Write-down of mineral property costs	(72,444)	(217,833)	**(290,277)**	-
Balance - End of Year	$ -	$ -	**$ -**	$ 289,019

- See Accompanying Notes -

1. Nature of Operations and Going Concern

Bayou Bend Petroleum Ltd. (formerly Kit Resources Ltd.) ("the Company") is incorporated under the British Columbia Business Corporations Act. The Company is presently engaged in the business of exploration and development of mineral properties in Canada. At December 31, 2006, the Company has written off the balances in the resource property accounts as management's intention has ceased with exploration of mineral properties and has changed to exploration and development of oil and gas properties. Subsequent to year-end, the Company entered into a definitive agreement to purchase a 100% interest in a private energy company. (*Note 9*)

To date, the Company has not earned significant revenues and is considered to be in the development stage. The Company has an accumulated deficit of $53,843,884 at December 31, 2006 which includes a net loss for the current period of $1,042, 007.

The accompanying financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern. However, the Company is in the development stage and is subject to the risks and challenges particular to companies at this stage. There is no assurance that the company's projects will be successful. As a result there may be substantial doubt regarding the going concern assumption. The Company's continuing operations are dependent on the ability to secure adequate financing, the discovery of economically recoverable oil and gas reserves, securing and maintaining title or beneficial interest in the oil and gas properties and on future profitable production or proceeds from the disposition of the oil and gas property interests. While the Company is expending its best efforts to achieve the above plans, there is no assurance that any such activity will generate sufficient funds for operations. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

2. Significant Accounting Policies

a) Basis of presentation

These financial statements are prepared in accordance with generally accepted accounting principles in Canada. The significant accounting policies followed by the Company have been applied consistently in the preparation of these financial statements. These accounting policies are summarized below.

b) Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of 90 days or less. The Company places its cash and cash equivalents with institutions of high-credit worthiness.

c) Mineral Property Costs

Mineral exploration and development costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

2. Significant Accounting Policies - *Continued*

c) Mineral Property Costs - *Continued*

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

The Company assesses its capitalized resource property costs on a regular basis. A property is written down or written off when the Company determines that a permanent impairment has occurred or when exploration results indicate that no further work is warranted. The Company will also reduce its capitalized resource property costs if no active exploration has been conducted on the property for a period of at least three years.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

d) Asset Retirement Obligations

The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is also adjusted to reflect period-to-period changes in the liability resulting from passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. As at December 31, 2006 and 2005, the Company did not have any asset retirement obligations.

e) Property Option Agreements

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

f) Future Income Taxes

Future income taxes are recorded using the asset and liability method whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

2. Significant Accounting Policies - *Continued*

g) Stock-Based Compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. Accordingly, the fair value of the options at the date of the grant is determined and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

h) Loss per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

i) Management's Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results may differ from those estimates.

3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, GST and interest receivable, amounts due to related parties, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity for prompt liquidation.

Expressed in Canadian Dollars

4. Mineral Property Costs

a) The Company has the following mineral properties, located in British Columbia. Details of accumulated costs are as follows:

	2006			2005
	Acquisition	Deferred Exploration	**Total**	Total
Copperline Property, B.C.	$ 23,750	$ 217,833	**$ 241,583**	$ 240,325
Molly Property, B.C.	48,694	-	**48,694**	48,694
Write-down of Costs	(72,444)	(217,833)	**(290,277)**	-
	$ -	$ -	**$ -**	$ 289,019

b) **Copperline Property, B.C.**

By letter of agreement dated May 28, 2001 and as amended, the Company acquired a 60% interest in the Copperline property from a company with directors in common. Under the agreement, the Company issued 25,000 common shares and incurred $200,000 of exploration expenditures on the property.

All accumulated costs on the Copperline property have been written off at December 31, 2006.

c) **Molly Property, B.C.**

During the year ended December 31, 2003, the Company acquired, from a director and officer of the Company, a 100% interest in certain mineral claims located in the Omineca Mining Division, B.C.

All accumulated costs on the Molly property have been written off at December 31, 2006.

5. Share Capital

a) Details are as follows:

	Number of Shares	**Share Capital**	**Contributed Surplus**
Authorized:			
Unlimited common shares without par value			
Issued and fully paid:			
Balance – December 31, 2005	39,873,550	**$** 52,999,632	$ -
Issued for cash during the year:			
- private placement of shares & warrants	40,000,000	1,470,721	1,315,279
- warrants exercised (*Note 5*c)	715,000	71,500	-
- fair value portion of warrants exercised	-	23,511	(23,511)
- stock options exercised	2,650,000	397,500	-
Issued during the year:			
- stock options granted (*Note 5bi*)	-	-	489,000
Balance – December 31, 2006	83,238,550	$ 54,962,864	$ 1,780,768

Expressed in Canadian Dollars

5. Share Capital – *continued*

During the current year, the Company closed a non-brokered private placement of 40,000,000 units at $0.07 per unit. Gross proceeds of the offering were CAD$2.8 million ($2,786,000 net of filing fees). $2,759,750 had been received in the year ended December 31, 2005 and was recorded as share subscriptions. Each unit consists of one common share and one warrant, with each warrant giving the holder the right to purchase one common share at CAD $0.10, exercisable by January 9, 2008. No commission was paid. As the units consisted of shares and warrants, the net proceeds of the units were divided between the two instruments. The value assigned to share capital was $1,470,721 and to contributed surplus was $1,315,279.

The warrant fair value amount was determined using the Black-Scholes Option Pricing Model with the following assumptions from the date of grant:

	Grant date January 9, 2006
Expected dividend yield	-
Risk-free interest rate	3.74%
Expected stock price volatility	109%
Expected option life in years	2

b) **Share Options**

The Company has an established share purchase option plan whereby a committee of the Company's board of directors may, from time to time, grant up to a total of 10% of the issued share capital to directors, officers, employees or consultants. The number of shares under option at any specific time to any one optionee shall not exceed 5% of the issued and outstanding common shares of the Company. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's board of directors. All options granted are subject to a four month hold period. Options vest immediately for directors and officers of the Company and in equal quarterly intervals over a term of 12 months for consultants conducting investor relation activities. The exercise price of an option is not less than the closing price on the TSX Venture Exchange (“the Exchange”) on the last trading day preceding the grant date, less the applicable discount, provided that the exercise price will not be less than $0.10 per share.

i) During the current year, the Company granted options to purchase 500,000 shares of the Company at $0.76 per share, exercisable by March 1, 2011 *(Note 7)*, and 250,000 shares at $0.75 per share, exercisable by September 26, 2011. During the year, stock options were exercised to purchase 2,650,000 shares at $0.15 per share.

Expressed in Canadian Dollars

5. Share Capital – *continued*

ii) A summary of the Company's options at December 31, 2006 and the changes for the year are as follows:

Exercise Price	Outstanding December 31, 2005	Granted	Exercised	Outstanding December 31, 2006	Expiry date
$0.15	2,900,000	-	(2,650,000)	250,000	July 24, 2008
$0.76	-	500,000	-	500,000	March 1, 2011
$0.75	-	250,000	-	250,000	September 26, 2011
Totals:	2,900,000	750,000	(2,650,000)	1,000,000	
Weighted average exercise price	$0.15	$0.76	$0.15	$0.61	

All options outstanding at December 31, 2006 are fully vested.

iii) **Stock Based Compensation:**

The Company recognizes compensation expense on stock options granted to both employees and non-employees using the fair value method at the date of grant, which the Company records as an expense. The current period stock option compensation expense is calculated using the Black-Scholes Option Pricing Model with the following assumptions from the date of grant:

	Grant date March 2, 2006	Grant date September 26, 2006
Expected dividend yield	-	-
Risk-free interest rate	4.08%	3.75%
Expected stock price volatility	166%	109%
Expected option life in years	5	5

The current year's stock option compensation expense amounted to $489,000.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

c) **Warrants**

As at December 31, 2006, the Company had share purchase warrants outstanding to purchase 39,285,000 shares at $0.10 per share, exercisable by January 9, 2008. These warrants are outstanding pursuant to the private placement of 40,000,000 units that closed during the year *(Note 5a).* During the year, share purchase warrants were exercised to purchase 715,000 shares at $0.10 per share. Subsequent to December 31, 2006, a further 38,565,000 shares were issued at $0.10 per share, pursuant to exercise of these warrants.

Expressed in Canadian Dollars

6. Related Party Transactions

Except as disclosed elsewhere in these financial statements, related party transactions are as follows:

a) Amounts due to related parties of $20,921 (2005: $94,693) are to companies controlled by directors. These amounts are unsecured, non-interest bearing and have no specific repayment terms. However, they are expected to be repaid within one year and consequently have been classified as current.

b) During the period ended 31 December 2006, the Company:

- i) paid or accrued $30,000 (2005 - $20,000) for management fees to a company controlled by a director.
- ii) paid or accrued $30,000 (2005 - $30,000) for secretarial and administration services to an officer of the company.
- iii) paid or accrued legal fees of $21,018 (2005- $10,310) to a law firm that has a partner who was a director of the Company until April 18, 2006.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Commitments

During the year, the Company signed a one-year agreement with a third party for consulting services at $5,000 per month. The agreement is for 12 months, commencing on March 1, 2006 and then continuing on a monthly basis until one of the parties terminates the agreement by giving 30 days written notice. In addition, the third party may earn other fees, ranging from 1 – 2% of the asset values or proceeds, dependent upon the occurrence of certain capital and/or investing transactions. Such transactions could include asset acquisitions or divestitures, corporate mergers, acquisitions, takeovers, joint ventures, or similar business combinations, and conventional equity and debt financing. The Company also granted the third party an option to purchase 500,000 shares of the Company at an exercise price of $0.76 per share by March 1, 2011 *(Note 5bi).*

8. Income Taxes

The net loss for accounting purposes differs from the taxable income as follows:

	Years ended December 31, 2006	2005
Statutory tax rate	34.1%	34.9%
Loss for the year	$ (1,042,007)	$ (120,584)
Stock based compensation	489,000	-
Write-off of resource property costs	290,277	-
Other	5,545	(40,542)
	$ (257,185)	$ (161,126)
Current income tax	-	-

Expressed in Canadian Dollars

8. Income Taxes – *continued*

The significant components of the Company's future tax assets are as follows:

	December 31, 2006	December 31, 2005
Future income tax assets		
Non-capital losses	$ 1,248,000	$ 991,000
Share issue costs carried forward	66,000	126,000
Mineral property interests representing excess of tax basis over carrying value	3,201,000	3,201,000
	4,515,000	4,318,000
Expected future tax rate	31.0%	34.1%
Future income tax assets	1,399,000	1,472,000
Valuation allowance	(1,399,000)	(1,472,000)
Future income tax assets	$ -	$ -

As at 31 December 2006, the Company had approximately $1,248,000 (2005 - $991,000) of losses carried forward, available to offset against future taxable income. These losses, if not utilized, expire by 2016. The Company has mineral exploration and development expenditures of approximately $3,201,000 (2005 - $3,201,000) available to reduce certain types of taxable income of future years. In addition, the Company has deferred share issuance costs of approximately $66,000 which are deductible for income tax purposes over five years.

The realization of income tax benefits related to these future potential tax deductions is uncertain and cannot be viewed as more likely than not. Accordingly, no future income tax asset has been recognized for accounting purposes.

9. Subsequent Events

Subsequent to December 31, 2006:

a) By a news release dated January 18, 2007 the Company announced that it has signed a definitive agreement to acquire all of the issued and outstanding membership interests of Summit Energy Company, L.L.C. ("Summit") for cash consideration of US $29,262,002**.** This consideration will be adjusted for the general, administrative and technical overhead activities of Summit incurred since October 1, 2006. In addition, 5 million of the Company's shares, comprising part of the consideration for the acquisition of Summit, will be issued under the terms of certain assignment agreements pursuant to which the Company was granted the opportunity to acquire Summit.

9. Subsequent Events – *continued*

Subsequent to December 31, 2006:

Summit is a privately held company based in Lafayette, Louisiana. Summit's primary assets include an 18.1634% participating interest in the Phase I Area of the Marsh Island project (gas/condensate assets located onshore/offshore Marsh Island in the Gulf of Mexico) and a 6.25% participating interest in the Phase II Area. The Company was required to fund Summit's share of two AFEs (authorization for expenditure) relating to the purchase and refurbishment of a production facility and two shut-in gas wells (US $227,500 paid subsequent to year-end) and to the drilling of the Greylock Prospect within the Phase I Area (US $803,000 paid subsequent to year-end). A US $2,000,000 non-refundable deposit was paid into escrow upon execution of the definitive agreement. The transaction is anticipated to close on or before February 28, 2007. The Company also has an option, exercisable until February 28, 2007, to acquire an interest in certain joint operating agreements relating to additional fields for an additional US $1,250,000. An additional 2.2 million shares of the Company are payable as finders fees in connection with the above transactions and the financing described below *(Note 9b).*

In addition, by a letter agreement dated January 2, 2007, the Company has agreed to acquire the Gulf offshore Assets ("GOM") of Pearl Exploration and Production Ltd. ("Pearl") in consideration for 10 million common shares of the Company. The Company will purchase Pearl's GOM Assets, comprised of a 100% working interest in five Gulf of Mexico offshore exploration blocks, farm-in rights to acquire a 25% working interest in a sixth offshore block, and all physical data, work products and files and records associated with these blocks, in exchange for 10 million Company shares. The Company will also acquire any contingent and contractual liability associated with the Pearl GOM Assets. Closing of the transaction is also expected to occur on or before February 28, 2007 and is subject to the successful closing of the Summit transaction and all requisite regulatory approvals.

The Summit transaction is contingent upon the completion of the equity financing in Note 9b to provide the required funds.

b) The Company has signed an agreement to sell, on a private placement basis, up to an aggregate of 166,666,667 subscription receipts at a price of Cdn $1.20 per share for gross proceeds of up to Cdn $200,000,000. The subscription receipts will be sold by a syndicate comprised of Canaccord Adams Inc. and Orion Securities Inc. (the "Agents"). Each subscription receipt will entitle the holder to acquire one common share of the Company, without further action or payment on the part of the holder, concurrently with the closing of the Summit acquisition. A 5% fee will be payable on gross proceeds placed by the Agents. Net proceeds of the private placement will be used towards the acquisition of Summit and related transaction fees and planned drill programs, and also for general working capital purposes. The shares issued upon exercise of the subscription receipts will be subject to a hold period of 4 months commencing on the date the subscription receipts are issued. The private placement is subject to regulatory approval.

c) A total of 38,565,000 shares were issued from Treasury at $0.10 per share, pursuant to exercise of share purchase warrants, leaving a balance of 720,000 warrants exercisable at $0.10 per share by January 9, 2008. (*Note 5c*)

d) On January 18, 2007, the Company granted 1,450,000 stock options to directors and officers that are exercisable at $1.20 per share until January 18, 2012. On January 19, 2007, the Company granted a further 400,000 incentive stock options to consultants, exercisable at $1.20 per share until January 19, 2012.

9. Subsequent Events – *continued*

Subsequent to December 31, 2006:

e) On February 7, 2007, the Company received regulatory approval to change its name to Bayou Bend Petroleum Ltd., with an effective date of February 9, 2007 and trades on the TSX Venture Exchange under the symbol of "BBP".

BAYOU BEND PETROLEUM LTD. FORM 51-102F1

(Formerly: Kit Resources Ltd.)
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE FOURTH QUARTER ENDED December 31, 2006
DATE OF REPORT: February 13, 2007

Management Discussion & Analysis:

The enclosed analysis is management's interpretation of the results and financial condition of Kit Resources Ltd. (the "Company" or "Kit") for the fiscal year ended December 31, 2006. This discussion should be read in conjunction with the audited financial statements to December 31, 2006 and related notes therein.

Description of Business:

Bayou Bend Petroleum Ltd. is a publicly traded company listed on the TSX Venture Exchange, trading under the symbol: BBP. The Company is a resource-based company engaged in the continued search for new and viable opportunities in the mineral and/or oil and gas sectors.

Forward Looking Statements:

This Management Discussion and Analysis contains certain forward-looking statements and information relating to the Company that was based on the beliefs of the Company, or management, as well as assumptions made by and information currently available to the Company or management. When used in this document, the words "anticipate", "believe", "estimate", "expect", 'implied", "intend" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company regarding future events and are subject to certain risks, uncertainties and assumptions, including the risks and uncertainties noted. Should one or more of these risks materialize, or should under-lying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, implied, expected or intended. In each instance, forward-looking information should be considered in the light of the accompanying meaningful cautionary statements herein. The Company cautions that forward-looking statements involve risk and uncertainty and the Company's actual results could differ materially from those implied.

Overall Performance:

Throughout the year management has retained the services of Endeavour Financial Ltd. to assist the company in its continued search for the acquisition of natural resource assets. The Company has entered into an acquisition agreement for an oil and gas opportunity . This project is discussed further under the Subsequent Events note to this Management Discussion and Analysis.

Selected Annual Information:

Operations for the fiscal year ended December 31, 2006 produced a loss of $1,042,007 (2005 - $120,584), resulting in a loss per share of $0.01 (2005 - $0.00). The main factors resulting in the increased annual loss, as compared with 2005, is as a result of both the write-off of the Copperline property ($290,277) and stock option compensation totaling $489,000. The reader is reminded that this Management Discussion and Analysis should be read in conjunction with the Company's annual, audited financial statements to December 31, 2006.

Selected Annual Information Continued:

	Dec. 31/06	Dec. 31/05	Dec 31/04
Revenue	$Nil	$ Nil	$ Nil
Net Loss	$1,042,007	$120,584	$174,928
Basic & Diluted Loss/Share	$0.01	$ 0.00	$ 0.00
Total Assets	$2,982,341	$3,066,055	$344,680
Long Term Liabilities	$NIL	$ NIL	$ NIL

Results from Operations:

Private Placement:

On January 9, 2006, a total of 40,000,000 common shares were issued from treasury from the closing of a private placement consisting of 40,000,000 units at $0.07 per unit with each unit consisting of one share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at $0.10 to January 9, 2008. As at December 31, 2005, share subscriptions totaling $2,759,750 (net of filing fees of $14,000) had been received and placed in a trust account with the Company's solicitors with the balance received in January 2006. Commissions were not paid in connection with the private placement.

Copperline Mineral Property

As at December 31, 2006, accumulated costs totaling $290,277 for the Copperline and Molly Properties have been written off the Company's books.

Summarized Quarterly Financial Information:

The following financial information is derived from various unaudited and audited financial statements (as noted by *), prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

	2006 Dec 31	2006 Sep 30	2006 Jun 30	2006 Mar 31	2005 Dec 31	2005 Sep 30	2005 Jun 30	2005 Mar 31
Sales/Revenue	$71,840**	$28,336**	$11,662*	$Nil	$Nil	$Nil	$Nil	$Nil
Loss(Recovery) In Period	$400.668	$186,756	$394,676	$59,907	($5,061)	$36,367	$51,010	$38,268
Loss/Per Share	$0.01	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Diluted Loss/Share	$0.01	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

*Interest Income
** Interest and Investment Income

Change In Management:

Effective April 18, 2006, the Company accepted the resignation of Mr. Graham H. Scott. On March 21, 2006, Mr. Peter D. Leitch joined the board. Mr. Leitch was subsequently appointed Chairman of the Audit Committee on April 20, 2006. At the Company's annual meeting held on June 9, 2006, Mr. Bob Mason did not stand for re-election and Mr. Stephen G. Stanley was appointed in his stead.

Liquidity & Capital Resources:

Working capital as at December 31, 2006, totaled $2,899,748 (2005 - $2,668,486). The Company had been sufficiently funded throughout fiscal 2006. In its January 18, 2007 news release, the Company announced its intention to raise a further $200,000,000 to meet its future financial obligations as it enters into a new direction, post year-end. Please refer to the subsequent events notes at the end of this Management Discussion and Analysis for further details.

Off-Balance Sheet Arrangements:

There are no such existing arrangements.

Transactions With Related Parties:

Please refer to note 6 of the attached audited financial statements to December 31, 2006. The Company paid or accrued $30,000 (2005 - $20,000) for management fees payable to Hermes Management Limited, a company controlled by director, Matthew J. Mason. A further $30,000 (2005 - $30,000) was paid or accrued to Hermes Management Limited, a company controlled by director Matthew J. Mason, in respect of services rendered by Judee Fayle an officer of the Company. A total of $21,018 (2005 - $10,310) in legal fees was paid or accrued to a law firm that has a partner who is a director of the Company.

The Company engages the services of Hermes Management Limited "Hermes", a non-reporting company controlled by Matthew J. Mason. Hermes was engaged to provide professional, managerial and administrative services commencing February 1, 2001 and terminating at the end of any calendar month by giving at least 30 days prior written notice to the other party.

Internal Controls Over Financial Reporting:

Management has designed, established and is maintaining a system of internal controls over financial reporting to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner in accordance with Canadian generally accepted accounting principles.

Disclosure Controls:

Management is responsible for the design, establishment and maintenance of disclosure controls and procedures. Based on an evaluation of the Company's disclosure control and procedures as of the end of the period covered by this MD&A, management believes its disclosure controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financials statements and revenues and expenses for the period reported. Significant estimates that involve highly subjective assumptions by management include the Company's estimate of stock-based compensation expense and its assessment of its mineral property values. Actual results could differ from those reported.

RISKS & UNCERTAINTIES:
Mining:

The Company is engaged in the inherently risky business of exploration and development of mineral properties. There is no guarantee that a mineable orebody will ever be determined and economically produced. Generally speaking, the majority of exploration programs do not result in the discovery of commercially viable orebodies. Gold and metals prices are also affected by numerous factors beyond the control of management including political and economic conditions, demand, production levels, terrorism etc. and can be quite volatile.

Cash Flows and Funding:

During the year, the Company completed a financing for which share subscriptions (net of filing fees of $14,000) had been received in the amount of $2,786,000. Working capital is raised through equity market financing and the Company has announced, post year-end, its intention to raise a further $200,000,000 through a private placement financing. Please refer to the subsequent events note at the end of this Management Discussion and Analysis for further details concerning this financing.

Asset Retirement Obligations:

Effective January 1, 2004, the Company adopted the recommendations of the CICA Handbook Section 3110. As at December 31, 2006 (and 2005) the Company did not have any asset retirement obligations.

Environmental:

Mineral exploration and development is subject to extensive governing laws and regulations concerning environmental protection and there is no assurance that all future requirements will be obtainable on reasonable terms. While the Company endeavors to operate in compliance with all environmental regulations, failure to comply could result in enforcement action against the Company causing severe impact to operations (i.e. possible remedial measures may require unplanned capital expenditures).

Securities Issued During The Period:

During the year ended December 31, 2006, the Company issued:

a) 40,000,000 shares pursuant to the closing of its January 9, 2006 private placement transaction,
b) a total of 715,000 shares were issued pursuant to the exercise of various share purchase warrants and
c) a total of 2,650,000 incentive stock options were exercised.

The Company's issued and outstanding capital as at December 31, 2006, totaled 83,238,550 common shares.

Existing Stock Options:

The Company granted the following incentive stock options during the year ended December 31, 2006:

Option Holder	Shares Granted	Exercise Price	Expiry Date
Consultant	500,000	$0.76	01 March 2011
Consultant	250,000	$0.75	26 Sept 2011

Therefore, the total existing and outstanding incentive stock options as at December 31, 2006, including the above-noted 2006 grants, are as follows:

Option Holder	Shares Granted	Exercise Price	Expiry Date
Officer	250,000	$0.15	24 July 2008
Consultant	500,000	$0.76	01 March 2011
Consultant	250,000	$0.75	26 Sept 2011

Incentive stock options exercised during the year ended December 31, 2006, are as follows:

Option Holder	Shares Exercised	Exercise Price	Expiry Date
Directors	2,650,000	$0.15	24 July 2008

Please refer to the subsequent events note at the end of this Management Discussion and Analysis wherein further incentive stock options were granted and exercised subsequent to year-end.

Outstanding Warrants:

As at December 31, 2006, a total of 39,285,000 share purchase warrants to purchase 39,285,000 shares at an exercise price of $0.10 per warrant, as issued in connection with a private placement financing, remaining outstanding.

List of Directors and Officers:

*Matthew J. Mason, President & Chief Executive Officer
*Peter D. Leitch, Director and Chairman of Audit Committee
*Stephen G. Stanley, Director
Judee Fayle, Chief Financial Officer & Corporate Secretary
*Members of the Audit Committee

SUBSEQUENT EVENTS:

New Corporate Direction: Acquisition of Oil and Gas Interests:

By a news release dated January 18, 2007 the Company announced that it has signed a definitive agreement to acquire all of the issued and outstanding membership interests of Summit Energy Company, L.L.C. ("Summit") for cash consideration of US $29,262,002**.** This consideration will be adjusted for the general, administrative and technical overhead activities of Summit incurred since October 1, 2006. In addition, 5 million of the Company's shares, comprising part of the consideration for the acquisition of Summit, will be issued under the terms of certain assignment agreements pursuant to which the Company was granted the opportunity to acquire Summit.

Summit is a privately held company based in Lafayette, Louisiana. Summit's primary assets include an 18.1634% participating interest in the Phase I Area of the Marsh Island project (gas/condensate assets located onshore/offshore Marsh Island in the Gulf of Mexico) and a 6.25% participating interest in the Phase II Area. The Company was required to fund Summit's share of two AFEs (authorization for expenditure) relating to the purchase and refurbishment of a production facility and two shut-in gas wells (US $227,500 paid subsequent to year-end) and to the drilling of the Greylock Prospect within the Phase I Area (US $803,000 paid subsequent to year-end). A US $2,000,000 non-refundable deposit was paid into escrow upon execution of the definitive agreement. The transaction is anticipated to close on or before February 28, 2007. The Company also has an option, exercisable until February 28, 2007, to acquire an interest in certain joint operating agreements relating to additional fields for an additional US $1,250,000. An additional 2.2 million shares of the Company are payable as finders fees in connection with the above transactions and the financing described below.

In addition, by a letter agreement dated January 2, 2007, the Company has agreed to acquire the Gulf offshore Assets ("GOM") of Pearl Exploration and Production Ltd. ("Pearl") in consideration for 10 million common shares of the Company. The Company will purchase Pearl's GOM Assets, comprised of a 100% working interest in five Gulf of Mexico offshore exploration blocks, farm-in rights to acquire a 25% working interest in a sixth offshore block, and all physical data, work products and files and records associated with these blocks, in exchange for 10 million Company shares. The Company will also acquire any contingent and contractual liability associated with the Pearl GOM Assets. Closing of the transaction is also expected to occur on or before February 28, 2007 and is subject to the successful closing of the Summit transaction and all requisite regulatory approvals.

The Summit transaction is contingent upon the completion of the equity financing described below to provide the required funds.

CDN $200 Million Financing Announced

The Company has signed an agreement to sell, on a private placement basis, up to an aggregate of 166,666,667 subscription receipts at a price of Cdn $1.20 per share for gross proceeds of up to Cdn $200,000,000. The subscription receipts will be sold by a syndicate comprised of Canaccord Adams Inc. and Orion Securities Inc. (the “Agents”). Each subscription receipt will entitle the holder to acquire one common share of the Company, without further action or payment on the part of the holder, concurrently with the closing of the Summit acquisition. A 5% fee will be payable on gross proceeds placed by the Agents. Net proceeds of the private placement will be used towards the acquisition of Summit and related transaction fees and planned drill programs, and also for general working capital purposes. The shares issued upon exercise of the subscription receipts will be subject to a hold period of 4 months commencing on the date the subscription receipts are issued. The private placement is subject to regulatory approval.

Outstanding Warrants Subsequent to Year-End

A total of 38,565,000 shares were issued from Treasury at $0.10 per share, pursuant to exercise of share purchase warrants, leaving a balance of 720,000 warrants exercisable at $0.10 per share by January 9, 2008.

Incentive Stock Option Grants

On January 18, 2007, the Company granted 1,450,000 stock options to directors and officers that are exercisable at $1.20 per share until January 18, 2012. On January 19, 2007, the Company granted a further 400,000 incentive stock options to consultants, exercisable at $1.20 per share until January 19, 2012.

Change of Name

On February 7, 2007, the Company received regulatory approval to change its name to Bayou Bend Petroleum Ltd., with an effective date of February 9, 2007 and trades on the TSX Venture Exchange under the symbol of "BBP".

Issued Capital Subsequent to Year-End:

As of the date of this report, February 13, 2007, the Company’s issued and outstanding share capital is: 121,803,550 shares.

Anticipated Change in Management

The current Board of Directors, and the Company’s Chief Financial Officer and Corporate Secretary, will all resign at the closing of the Summit acquisition/transaction.