BAYOU BEND PETROLEUM LTD.
(formerly Kit Resources Ltd.)

Consolidated Financial Statements

First Quarter Report

For The

Three Months Ended March 31, 2007

(The accompanying consolidated financial statements have been prepared by management and have not been reviewed by the Company's auditors)

BAYOU BEND PETROLEUM LTD.

To Our Shareholders,

The first quarter of 2007 marked the beginning of a new oil company. Bayou Bend Petroleum Ltd. got its start through the acquisition of a private company called Summit Energy Company, L.L.C. which held an 18.1634% interest in the Marsh Island project offshore Louisiana in the Gulf of Mexico. The Marsh Island gas/condensate project comprises virtually unexplored water bottom and land acreage within a prolific producing area in the heart of the U.S. petrochemical industry. The project is surrounded by producing fields and significant new discoveries have been made in the vicinity containing a total estimated 11.5+ trillion cubic feet of gas equivalent. Numerous prospects on the Marsh Island project of considerable size potential have been identified from new 3D seismic and the Company has scheduled an aggressive drilling program for 2007. Consideration for Summit and the Marsh Island project was Cdn $45.8 million.

Bayou Bend subsequently purchased an additional 17.4175% interest in the Marsh Island project, bringing its total interest to 35.5809%. Consideration for the additional interest was Cdn $28.6 million.

In addition to the Summit acquisition, on May 8, 2007, Bayou Bend closed on its planned acquisition of a 100% interest in 5 OCS Federal Gulf of Mexico blocks and farm-in rights for 25% of a 6th block from Pearl Exploration and Production Ltd. At least three of the top prospects are scheduled to be drilled in 2007 with two planned for this summer. MU (Mustang Island) 736 (100%) and WC (West Cameron) 332 (25%) are the first prospects that will be drilled.

The Company spudded its first well on the Marsh Island project on February 19, 2007 on the Greylock Prospect, a large northeast trending structural trap approximately 4.5 miles south of the southern tip of Marsh Island. The well was drilled to a total depth of 10,500 feet and encountered 18 feet of Miocene Tex L “C” gas bearing sand with an average porosity of 29%. This well is currently being completed as a producing well with a 3.5 mile flowline being laid to the Company’s production facility which was acquired as part of the Summit transaction. This facility has the capability of handling 40 MMcfgpd and is tied into the existing regional pipeline infrastructure.

A minimum of 3 additional wells are planned for Marsh Island this year. The next prospect to be tested is Bootspur, a large prospect located on trend with the recent Contango Dutch Discovery. Similar amplitudes to the Dutch discovery have been mapped on Bootspur in the same reservoir horizon. The two existing Contango Dutch wells are expected to produce 55-60 mmcfgpd and proven reserves have been quoted as 158 bcfg. The Bootspur well is expected to spud in July 2007.

Continuing with our strategic focus in the Gulf of Mexico, the Company was the successful high bidder for 16 tracts of land in a State of Louisiana oil and gas lease auction held in February. The successful bid covered 4,004 acres of shallow water leases in the Marsh Island project area bringing the total gross number of acres held by the Marsh Island Project Group to over 12,161 acres.

Subsequent to the first quarter period, the Company added the LaPosada project to its portfolio. The project comprises 2,899.9 acres located 26 miles northwest of the Marsh Island project in Iberia Parish, Louisiana. Bayou Bend will fund 25 percent of the costs of drilling the initial well on LaPosada to earn a 21.875% working interest in this first well and all future wells located on the associated acreage. The LaPosada prospect is located in the Bayou Hebert Field and will be drilled and operated by Petroquest Energy. The prospect is a Lower Miocene deeper pool test on a high relief fault closure that has produced over 100 BCF from shallower Middle and Lower Miocene sands. The initial well is expected to spud in July 2007.

In addition, Bayou Bend recently entered into a farm-out agreement to acquire a 100% interest in OCS Federal Gulf of Mexico Block SMI 165, making this the 7th Gulf of Mexico block in the Company's portfolio. This shallow water block is located in 233 feet of water and encompasses over 2,500 acres. The block hosts several sizeable prospects and leads. A drilling program is planned to have a well spud during the third quarter of this year. The primary target is ponded turbidities in a salt-floored mini-basin at a prognosed depth of 8,200 feet.

Over the next few years the Company has budgeted a capital program of Cdn $165 million with at least 15 high impact wells planned. In 2007, capital expenditures are estimated to be US $70 million with 7 wells scheduled.

Corporate

On the corporate front, the Company completed a Cdn $200 million private placement to fund the Company's acquisitions and work programs and assembled a top management team to execute its plans. The management team comprises: Keith Hill, Chairman; Clinton Coldren, President and CEO; Gary Guidry, Director; Brian Edgar, Director; John Zaozirny, Director; and William Hoffman, CFO.

Investor relations activities are carried out by Company personnel and include the design and maintenance of a corporate website and investor and analyst presentations.

Bayou Bend has enjoyed tremendous success in its first quarter and looks forward to continued success in the months to come.

On behalf of the Board,

"signed" Clinton W. Coldren

Clinton W. Coldren
President and CEO

BAYOU BEND PETROLEUM LTD.
(Formerly Kit Resources Ltd.)

MANAGEMENT DISCUSSION AND ANALYSIS
(Amounts in Canadian Dollars unless otherwise indicated)
Three Months Ended March 31, 2007 and 2006

Management's discussion and analysis ("MD&A") of Bayou Bend Petroleum Ltd.'s (the "Company" or "Bayou Bend") financial condition and results of operations should be read in conjunction with the unaudited consolidated financial statements for the three months ended March 31, 2007 and 2006 and related notes therein prepared in accordance with Canadian generally accepted accounting principles. The effective date of the MD&A is May 10, 2007. Additional information related to the Company is available on SEDAR at www.sedar.com and on the Company's web-site at www.bayoubendpetroleum.com.

Overview

Bayou Bend is a Canadian-based oil and gas company that currently holds various interests in oil and gas exploration and development properties in the USA. Up to February 9, 2007, the Company operated under the name Kit Resources Ltd. and traded on the TSX Venture Exchange under the symbol "KIT". On February 9, 2007, the Company changed its name to Bayou Bend Petroleum Ltd. and started trading under the symbol "BBP".

Prior to December 31, 2006, the Company was a resource based company engaged in the continued search for new and viable opportunities in the mineral sector. During the quarter ended March 31, 2007, the Company began its transition into an oil and gas exploration and development company and completed several significant acquisitions which are described more fully below.

During the three months ended March 31, 2007, the Company's major accomplishments were as follows:

- Successfully completed a private placement of common stock raising $190,796,000 (net of fees) to be used for the acquisition of Summit Energy Company, L.L.C. ("Summit"), other properties and planned drilling programs, as well as for general working capital purposes.
- Completed the acquisition of Summit, an oil and gas company with a quality portfolio of assets onshore and offshore Marsh Island in the Gulf of Mexico off the Louisiana Coast.
- Acquired an additional 17.4175% interest in the Marsh Island project from other participants to bring the Company's total interest to 35.5809%.
- Drilled its first well which resulted in a gas and condensate discovery in the Marsh Island project. The well is currently being completed as a producing well with production planned to commence before the end of May 2007.

Subsequent to the quarter end, the Company had additional major accomplishments as follows:

- Completed acquisition of a 21.875% working interest in 2,899.9 acres, which includes the large LaPosada prospect, located in Louisiana.
- Completed the acquisition of five Gulf of Mexico offshore exploration leases (the "GOM Assets") from Pearl Exploration and Production Ltd.

Private Placement

On February 20, 2007, the Company sold 166,666,667 subscription receipts at a price of $1.20 per receipt for gross proceeds of $200,000,000. The subscription receipts were sold by a syndicate comprised of Canaccord Adams Limited and Orion Securities Inc. (the "Agents"). Subsequently, each subscription receipt was converted into one common share of the Company. A fee totaling $9,204,000 was paid to the Agents for the placement services.

Oil and Gas Acquisition

On February 20, 2007, the Company acquired 100% of the membership interests in Summit and Summit became a wholly-owned subsidiary of the Company. The assets acquired include an 18.1634% interest in a portfolio of assets onshore and offshore Marsh Island in the Gulf of Mexico, together with an 18.1634% interest in a 40 MMcfgpd production facility tied into the existing regional pipeline infrastructure. The acquisition costs for this operating company totaled $45,847,000.

On March 8, 2007, the Company exercised its option under the Summit purchase agreement to acquire two additional properties for the issuance of 1,222,604 shares of stock with a value of $1,712,000.

Also in February 2007, the Company closed on an additional 17.4175% participating interest in the Phase I Area of the Marsh Island project for a total participating interest of 35.5809%. The acquisition costs totaled $28,601,000.

Reserve Data

In connection with the Summit acquisition, Petrotech Engineering Ltd., independent engineers, prepared an engineering and economic evaluation of the Marsh Island project in accordance with NI 51-101 with an effective date of February 1, 2007 (a summary report is available on www.sedar.com).

The report reflects the Company's 35.5809% participating interest in the Marsh island project.

The following excerpted Constant Case Before Tax reserve estimate is based on a gas price of $7.23/MMBtu (Henry Hub price) and an oil price of $59.09/bbl (West Texas Intermediate) as of February 1, 2007.

Marsh Island Project Summary of Proved + Probable + Possible Reserves and Cash Flow Values Constant Case Before Tax			
	35.5809% Participating Interest		
Reserve Category	Gas (MMcf)	Condensate (Mbbl)	NPV 10% (MMUS$)
Proved Developed, Non-Producing	260	1.89	0.50
Probable Undeveloped	8,166	0.82	43.41
Proved + Probable	8,426	2.71	43.91
Possible Undeveloped	16,480	12.57	74.96
Proved + Probable + Possible	21,905	15.28	118.87

Marsh Island Project Prospective Resources Summary Constant Case Before Tax			
	35.5809% Participating Interest		
Estimate	Gas (Bcf)	Condensate (Mbbl)	NPV 10% (MMUS$)
Low	66	1,292	313
Best	784	25,833	3,894
High	2,322	113,744	10,902

Selected Quarterly Information

The following is a summary of selected financial information for the Company for the periods indicated:

($000s, except per share data)	**Mar 31 2007**	**Dec 31 2006**	**Sep 30 2006**	**Jun 30 2006**	**Mar 31 2006**	**Dec 31 2005**	**Sep 30 2005**
Revenue	$697	$72	$28	$12	$Nil	$Nil	$Nil
Net (loss)	($2,202)	($400)	($187)	($49)	($60)	$5	($36)
Net (loss) per share - basic	($0.01)	($0.01)	$0.00	$0.00	$0.00	$0.00	$0.00
Net (loss) per share - diluted	($0.01)	($0.01)	$0.00	$0.00	$0.00	$0.00	$0.00
Total assets	$216,919	$2,982	$3,314	$3,349	$2,955	$3,066	$293

Prior to December 31, 2006, the Company was a mineral company and had limited operational activities. Subsequent to December 31, 2006, the Company changed its strategic direction to become an oil and gas exploration and development company by acquiring a variety of oil and gas interests in the USA. Beginning in the current quarter, revenues include oil and gas sales.

Oil and Gas Sales

The Company had oil and gas sales of $201,000 for the three months ended March 31, 2007, compared to $nil for the prior year three month period and $nil for the three month period ended December 31, 2006.

Interest Income

For the three months ended March 31, 2007, interest income was $496,000, compared to $nil for the prior year period and $44,000 for the three months ended December 31, 2006. Interest income represents bank interest earned on excess cash. The Company had excess cash balances as a result of its equity issues through the private placement.

Production Costs

The Company had production costs of $53,000 for the three months ended March 31, 2007, compared to $nil for the prior year three month period and $nil for the three month period ended December 31, 2006.

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2007 were $533,000 compared to $60,000 for the prior year period and $142,000 for the three months ended December 31, 2006. The current quarter general and administrative expenses include $112,000 for legal and audit costs, $140,000 for salaries and benefits, $100,000 for management and consulting fees, and $181,000 for various other general expenses. General and administrative expenses are expected to continue to increase over the prior periods as the Company continues to increase its exploration and production activities.

Depletion, Depreciation and Amortization

Depletion, depreciation and amortization ("DD&A") was $91,000 for the three months ended March 31, 2007 compared to $nil for the prior year period and $nil for the three month period ended December 31, 2006. The DD&A amount is mainly depletion of the oil and gas producing assets. The Company follows the full cost method of accounting for its oil and gas interests, whereby capitalized costs along with estimated future costs to develop proved reserves, are depleted on a unit-of-production basis using estimated proved oil and gas reserves.

Stock-Based Compensation

Stock-based compensation was $2,222,000 for the three months ended March 31, 2007 compared to $nil for the prior year period and $nil for the three months ended December 31, 2006. The Company uses the fair value method of accounting for stock options granted to directors, officers, employees and consultants whereby the fair value of all stock options granted is recorded as a charge to operations. The fair value of common share options granted is estimated on the date of grant using the Black-Scholes option pricing model. For the three months ended March 31, 2007, the Company issued 2,615,000 options at prices ranging from $1.20 to $2.15.

Financial Condition

At March 31, 2007, the Company had total assets of $216,919,000 compared to $2,982,000 at December 31, 2006.

Liquidity and Capital Resources

Working capital at March 31, 2007, totaled $132,538,000, compared to $2,900,000 at December 31, 2006.

Funds from operations were $3,663,000 for the three months ended March 31, 2007 compared to funds used in operations of $78,000 for the prior year three month period.

Net cash provided from financing activities for the three months ended March 31, 2007 was $195,072,000 compared to cash used in financing activities of $44,000 for the prior year three month period. During the quarter the Company issued 214,817,538 common shares at an average price of $0.97 per share.

Net cash used in investing activities was $65,544,000 for the three months ended March 31, 2007 compared to $nil for the prior year three month period. During the quarter ended March 31, 2007, the Company used cash of $65,838,000 to add to its oil and gas interests through the acquisition of leases and exploration and development activities.

Contributed surplus at March 31, 2007 increased $2,222,000 over the balance at December 31, 2006. The increase is due to the stock-based compensation for the period. When options are granted, the Black-Scholes option value method is used to calculate a value for the stock options. The offset to the amount that is recorded as stock compensation expense is a credit to contributed surplus. When stock options are exercised, a proportionate amount of the value recorded on the granting of options is moved from contributed surplus to share capital. For the three months ended March 31, 2007, contributed surplus was credited for $418,000 for stock compensation expenses. During the quarter ended March 31, 2007, 750,000 stock options were exercised.

The Company does not currently generate sufficient cash flow from its oil and gas operations to fund the entire oil and gas exploration, development and acquisition activities. The Company has relied upon the issuance of common shares to assist with financing its ongoing oil and gas exploration, development and acquisition activities to the extent that sufficient cash flow from oil and gas assets or farming out interests in oil and gas properties is not sufficient to finance its operations.

Financial Instruments

The carrying amounts of financial instruments comprising cash, accounts receivable and accounts payable approximate their fair value due to the immediate or short-term nature of these financial instruments.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Outstanding Share Data

As of May 10, 2007, the Company had 308,156,088 shares outstanding, 2,865,000 stock options outstanding under its stock-based compensation plan and 600,000 warrants outstanding.

Related Party Transactions

There were no related party transactions during the quarter ended March 31, 2007.

Changes to Management

On February 19, 2007, the Company accepted the resignations of Matthew J. Mason as President and Chief Executive Officer, Peter D. Leitch as Director, Stephen G. Stanley as Director and Judee Fayle as Chief Financial Officer and Corporate Secretary.

Also on February 19th and on March 27th, 2007, the following individuals were appointed to the Company's Board of Directors:

Clinton W. Coldren
Brian D. Edgar*
Gary S. Guidry*
Keith C. Hill*
John Zaozirny.
* Member of Audit Committee

On February 19, 2007, Clinton W. Coldren was appointed President and Chief Executive Officer of the Company and Kevin E. Hisko was appointed Corporate Secretary. On April 1, 2007, William D. Hoffman was appointed Chief Financial Officer.

Accounting Policies and Critical Accounting Estimates

Due to the Company's transition into the oil and gas exploration and development industry, the Company has adopted the full cost method of accounting for its oil and gas interests. This policy is described in Note 2 of the March 31, 2007 unaudited interim consolidated financial statements.

Risks and Uncertainties

The Company is exposed to a number of risks and uncertainties inherent in exploring for, developing and producing crude oil and natural gas. These risks and uncertainties include, but are not limited to, the following: economic risk of finding and producing reserves at a reasonable cost; cost of capital risk associated with securing the needed capital to carry out the Company's operations; risk of fluctuating currency exchange rates; risk of carrying out operations with minimal environmental impact; risk of weather, including hurricanes and other storms; risk of governmental policies, social instability or other political, economic or diplomatic developments in the US operations; market risk associated with investing the Company's cash reserves in interest bearing depository instruments; and environmental risks related to its oil and gas and mineral properties. Many of the previously mentioned risks are beyond the Company's control, and it is impossible to ensure that any exploration drilling program will result in commercial operations. The Company does not utilize derivative instruments to hedge its foreign currency exchange or interest rate risks.

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.

Outlook

The Company plans to continue pursuing Gulf of Mexico oil and gas opportunities to add to its portfolio of exploration and development properties, and to focus on the development of its existing interests in the USA.

The Company's drilling program includes seven (7) more wells during the remainder of 2007 with an estimated capital budget of US $66 million. Included in the plans are three (3) wells in the Gulf of Mexico shallow water shelf area, three (3) wells in the Marsh Island project area and one (1) well in the Louisiana tidal area.

Production from the Company's first well in the Marsh Island project, the Greylock Prospect, is expected to commence during May 2007. This well was drilled to a total depth of 10,500 feet and encountered 18 feet of Miocene Tex L "C" gas bearing sand with an average porosity of 29%. The well is currently being completed with a flowline is being laid to the Company's production facility.

During the remainder of 2007 the Company will continue to pursue strategic acquisitions through planned lease sales and other arrangements.

Forward-Looking Statements

Certain information regarding the Company contained herein may constitute forward-looking statements. Forward-looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements in facts. By their nature, forward-looking statements and information involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements and information. The Company does not undertake to update or re-issue the forward-looking statements and information that may be contained herein, whether as a result of new information, future events or otherwise. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Non-GAAP Measures

Certain measures in this MD&A do not have any standardized meaning as prescribed by Canadian GAAP such as "funds from operations" and "cash flows" and therefore are considered non-GAAP measures. These measures may be comparable to similar measures presented by other issuers. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance operations. Management's use of these measures has been disclosed further in this MD&A as these measures are discussed and presented.

BAYOU BEND PETROLEUM LTD.
(formerly Kit Resources Ltd.)
Consolidated Balance Sheets
Expressed in Canadian Dollars
(unaudited)

	March 31, 2007	December 31, 2006
ASSETS		
Current Assets		
Cash and cash equivalents	$ 136,145,000	$ 2,954,000
Accounts receivable	841,000	13,000
Prepaid expenses and deposits	1,839,000	15,000
	138,825,000	2,982,000
Petroleum and natural gas properties (note 4)	78,185,000	-
Accumulated depletion, depreciation & amortization	(91,000)	-
Net properties	78,094,000	-
	$ 216,919,000	$ 2,982,000
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 6,287,000	$ 61,000
Due to related parties	-	21,000
	6,287,000	82,000
Asset retirement obligation	294,000	-
	6,581,000	82,000
SHAREHOLDERS' EQUITY		
Share Capital (note 5)	262,378,000	54,963,000
Contributed Surplus (note 5)	4,003,000	1,781,000
Adjustment for foreign currency translation	3,000	-
Deficit	(56,046,000)	(53,844,000)
	210,338,000	2,900,000
	$ 216,919,000	$ 2,982,000

Subsequent event (note 7)

See accompanying notes to consolidated financial statements.

BAYOU BEND PETROLEUM LTD.
(formerly Kit Resources Ltd.)
Consolidated Statements of Operations and Deficit
For the Three Months Ended March 31, 2007 and 2006
Expressed in Canadian Dollars
(unaudited)

	2007	2006
Revenues		
Oil and gas sales	$ 201,000	$ -
Interest income	496,000	-
	697,000	-
Expenses		
Production costs	53,000	-
Depletion, depreciation and amortization	91,000	-
General and administrative	533,000	60,000
Stock-based compensation	2,222,000	-
	2,899,000	60,000
Loss before income taxes	(2,202,000)	(60,000)
Capital taxes	-	-
	-	-
Net loss for the period	(2,202,000)	(60,000)
Deficit, beginning of period	(53,844,000)	(52,802,000)
Deficit, end of period	$ (56,046,000)	$ (52,862,000)
Basic loss per share	$ (0.01)	$ 0.00
Diluted loss per share	$ (0.01)	$ 0.00
Weighted average number of common shares used in computing earnings per share:		
Basic	189,923,113	79,873,550
Diluted	191,226,490	79,873,550

See accompanying notes to consolidated financial statements.

BAYOU BEND PETROLEUM LTD.
(formerly Kit Resources Ltd.)
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2007 and 2006
Expressed in Canadian Dollars
(unaudited)

		2007		2006
Operating activities				
Net loss	$	(2,202,000)	$	(60,000)
Items not involving cash:				
Depletion, depreciation and amortization		91,000		
Stock-based compensation		2,222,000		
Changes in non-cash operating working capital:				
Accounts receivable		(828,000)		(2,000)
Prepaid expenses and deposits		(1,824,000)		(9,000)
Accounts payable and accrued expenses		6,204,000		(7,000)
		3,663,000		(78,000)
Financing activities				
Issuance of share capital		195,072,000		26,000
Repayment of related party loans		-		(70,000)
		195,072,000		(44,000)
Investing activities				
Additions to petroleum and natural gas properties		(65,838,000)		-
Asset retirement obligation		294,000		
		(65,544,000)		-
Net increase in cash and cash equivalents		133,191,000		(122,000)
Cash and cash equivalents - beginning of period		2,954,000		2,775,000
Cash and cash equivalents - end of period	$	136,145,000	$	2,653,000
Supplemental disclosures of non-cash financing and investing activities:				
Acquisition of Summit Energy Company, L.L.C. and related property interests through the issuance of common stock	$	12,343,000	$	-

See accompanying notes to consolidated financial statements.

1. NATURE OF OPERATIONS

Bayou Bend Petroleum Ltd. (formerly Kit Resources Ltd.) (the "Company") is incorporated under the British Columbia Business Corporations Act. The Company is engaged in the business of oil and gas exploration and development in the Gulf of Mexico.

On February 7, 2007, the Company received regulatory approval to change its name to Bayou Bend Petroleum Ltd. from Kit Resources Ltd. with an effective date of February 9, 2007. The Company's shares trade on the TSX Venture Exchange under the symbol of "BBP".

On February 20, 2007, the Company purchased 100% of the outstanding membership interests in Summit Energy Company, L.L.C. ("Summit").

Prior to the current year, the Company was considered to be a development stage enterprise for reporting purposes. Starting in 2007, the Company is no longer considered to be in the development stage.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Bayou Bend Petroleum USA Ltd., Summit Energy Company, L.L.C. and Bayou Bend Offshore, Ltd.

The interim consolidated financial statements of the Company have been prepared in accordance with the accounting principles generally accepted in Canada, using the same accounting policies and methods of computation as set out in note 2 to the audited financial statements in the Company's Annual Report for the year ended December 31, 2006. The disclosures provided herein are incremental to those included with the audited financial statements and result from the Company's recent acquisition of Summit and entry into the oil and gas exploration and development industry. The interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2006.

b) Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are subject to measurement uncertainty. Actual results could differ from and affect the results reported in these consolidated financial statements.

In the accounting for oil and gas interests, amounts recorded for depletion and amounts used for impairment test calculations are based on estimates of oil and gas reserves and future cash flows, including development costs. By their nature, the estimates of reserves and the related future cash flows are subject to measurement uncertainty and the impact on the consolidated financial statements of future periods could be material.

c) Foreign Currency Translation

The Company's reporting currency is Canadian dollars.

The Company's U.S. operations are considered a self-sustaining foreign operation. Accordingly, the Company uses the current rate method to translate the financial statements of its U.S. subsidiaries. Under the current rate method, all assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average rate for the period. Translation adjustments are not included in determining net income but are deferred and reported separately as a component of shareholders' equity.

d) Petroleum and Natural Gas Properties

The Company follows the full cost method of accounting for its oil and gas interests. In accordance with Accounting Guideline 16 (AcG 16) issued by the CICA, all costs relating to the exploration for and development of oil and gas reserves are capitalized in country-by-country cost centres and charged against income as set out below. Capitalized costs include expenditures for geological and geophysical surveys, property acquisition, drilling exploration and development wells, gathering and production facilities and development expenditures.

Capitalized costs, along with estimated future costs to develop proved reserves, are depleted on a unit-of-production basis using estimated proved oil and gas reserves. Costs of acquiring and evaluating unproved properties are excluded from costs subject to depletion until it is determined whether proved reserves are attributable to the properties or impairment occurs. Unproved properties are evaluated for impairment on at least an annual basis. If an unproved property is considered to be impaired, the amount of the impairment is added to the costs subject to depletion.

The Company engages independent engineers in order to determine its share of reserves.

The net amount at which oil and gas interests are carried is subject to a cost recovery test (the "ceiling test"). The ceiling test is a two-stage process which is performed at least annually. The first stage is a recovery test whereby undiscounted estimated future cash flows from proved reserves at oil and gas prices in effect at the balance sheet date ("forecast prices") plus the cost of unproved properties less any impairment is compared to the net book value of the oil and gas interests to determine if the assets are impaired. An impairment loss exists if the net book value of the oil and gas interests exceeds such undiscounted estimated cash flows. The second stage determines the amount of the impairment loss to be recorded. The impairment is measured by the amount by which the net book value of the oil and gas interests exceeds the future estimated discounted cash flows from proved plus probable reserves at the forecast prices. Any impairment is recorded as additional depletion costs.

e) Revenue Recognition

Revenues from the sale of petroleum and natural gas are recorded when title passes to an external party.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts 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 values of these financial instruments approximate their carrying values due to their short-term maturity or capability of prompt liquidation.

4. ACQUISITIONS

On February 20, 2007, the Company acquired all of the issued and outstanding membership interests of Summit for cash consideration of $39,638,000. The assets acquired included an 18.1634% interest in a portfolio of assets onshore and offshore Marsh Island in the Gulf of Mexico, together with an 18.1634% interest in a 40 MMcfgpd production facility tied into the existing regional pipeline infrastructure.

Expressed in Canadian Dollars

On March 8, 2007, the Company exercised its option under the Summit Purchase Agreement to acquire two additional properties for the issuance of 1,222,604 shares of stock with a value of $1,712,000.

The Company also acquired from certain other participants an additional 17.4175% interest in the Marsh Island project for consideration of $24,730,000. The consideration paid included the issuance of 393,267 shares of stock with a value of $551,000.

In connection with the above transactions and the private placement described in Note 5(a), the Company issued 2.2 million shares of stock as a finders' fee to third parties. An additional 5 million shares of stock were issued under the terms of certain assignment agreements pursuant to which the Company was granted the opportunity to acquire Summit. The value of the 7.2 million shares issued was $10,080,000.

The total consideration, including other related properties and transaction costs, for the above acquisitions was $76,160,000. The allocation of the purchase price is as follows:

Petroleum and natural gas properties	$ 74,350,000
Working capital	2,104,000
Asset retirement obligation	(294,000)
	$ 76,160,000

Expressed in Canadian Dollars

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 - Dec. 31, 2006	83,238,550	$	54,963,000	$	1,781,000
Issued for cash:					
- private placement	166,666,667		190,796,000		
- warrants exercised	38,585,000		3,858,000		
- stock options exercised	750,000		418,000		
Issued during the year:					
- Summit acquisitions	8,815,871		12,343,000		
- stock options granted					2,222,000
Balance - March 31, 2007	298,056,088	$	262,378,000	$	4,003,000

During the quarter, the Company closed a private placement of 166,666,667 shares at a price of $1.20 per share. Gross proceeds of the offering were $200,000,000 ($190,796,000 net of filing fees).

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. The term of any options granted under the plan will be fixed by the Board of Directors and may not exceed five years from the date of grant. All options granted are subject to a four month hold period from the date of granting. Vesting terms are at the discretion of the Board of Directors. 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 quarter, the Company granted options to purchase 1,450,000 shares of the Company at $1.20 per share, exercisable by January 18, 2012, 550,000 shares of the Company at $1.20 per share, exercisable by January 19, 2012, 150,000 shares of the Company at $2.15 per share, exercisable by

Expressed in Canadian Dollars

March 27, 2012, and 465,000 shares of the Company at $2.15 per share, exercisable by March 27, 2010. During the quarter, stock options were exercised to purchase 750,000 shares at an average exercise price of $0.56 per share.

ii) A summary of the Company's options at March 31, 2007 and the changes for the quarter are as follows:

Exercise Price	Outstanding December 31, 2006	Granted	Exercised	Outstanding March 31, 2007	Expiry Date
$ 0.15	250,000		(250,000)	-	July 24, 2008
$ 0.76	500,000		(500,000)	-	March 1, 2011
$ 0.75	250,000			250,000	September 26, 2011
$ 1.20		1,450,000		1,450,000	January 18, 2012
$ 1.20		550,000		550,000	January 19, 2012
$ 2.15		150,000		150,000	March 27, 2012
$ 2.15		465,000		465,000	March 27, 2010
Totals:	1,000,000	2,615,000	(750,000)	2,865,000	
Weighted average exercise price	$ 0.61	$ 1.42	$ 0.56	$ 1.36	

All options outstanding at March 31, 2007 are fully vested except for 100,000 options which vest on September 28, 2007.

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:

Expected dividend yield	0%
Risk-free interest rate (weighted average)	4.02%
Expected stock price volatility (average)	81.56%
Expected option life in years (weighted average)	3.82

The current quarter's stock option compensation expense amounted to $2,222,000.

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 of 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 2006. During the quarter, 38,585,000 shares were issued at $0.10 per share, pursuant to these warrants. As of March 31, 2007, the Company had share purchase warrants outstanding to purchase 700,000 shares at $0.10 per share, exercisable by January 9, 2008.

6. INCOME TAXES

As at December 31, 2006, the Company had approximately $1,248,000 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 available to reduce certain types of taxable income in future years.

Future income tax benefits, which may arise as a result of these losses and resource expenditures have not been recognized in these financial statements.

7. SUBSEQUENT EVENT

On May 8, 2007, the Company finalized the acquisition of the Gulf of Mexico Assets ("GOM") of Pearl Exploration and Production Ltd. ("Pearl"), then a related party through common management. The acquisition of GOM was completed pursuant to an agreement dated January 2, 2007. The 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 those blocks, were acquired in exchange for 10 million common shares of the Company, which at the time the agreement was signed, had a deemed value of $12,000,000. The price of the Company's common shares has since appreciated giving the acquisition a value of $27,400,000.

BAYOU BEND PETROLEUM LTD.

DIRECTORS	CORPORATE INFORMATION
Clinton W. Coldren Director New Orleans, Louisiana **Brian D. Edgar** Director Vancouver, British Columbia **Gary S. Guidry** Director Calgary, Alberta **Keith C. Hill** Director Vancouver, British Columbia **John Zaozirny** Director Calgary, Alberta	**CORPORATE OFFICE** 885 West Georgia Street Suite 2101 Vancouver, British Columbia V6C 3E8 Telephone: 604-689-7842 Facsimile: 604-689-4250 Website: www.bayoubendpetroleum.com **OPERATIONS OFFICE** 228 St. Charles Avenue Suite 724 New Orleans, Louisiana 70130 Telephone: 504-561-1151 Facsimile: 504-561-1153 Website: www.bayoubendpetroleum.com **BANKER** HSBC Bank Canada Vancouver, British Columbia
OFFICERS	**AUDITOR** KPMG Vancouver, British Columbia
Keith C. Hill Chairman Vancouver, British Columbia **Clinton W. Coldren** President & Chief Executive Officer New Orleans, Louisiana **William D. Hoffman** Chief Financial Officer New Orleans, Louisiana **Kevin E. Hisko** Corporate Secretary Vancouver, British Columbia	**TRANSFER AGENT** Computershare Trust Company of Canada Vancouver, British Columbia **STOCK EXCHANGE LISTING** TSX Venture Exchange Trading Symbol: BBP **INVESTOR RELATIONS** Sophia Shane Vancouver, British Columbia