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

Consolidated Financial Statements

Second Quarter Report

For The

Three and Six Months Ended June 30, 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,

Bayou Bend's 2007 drill campaign got well underway during the second quarter period and was highlighted by the achievement of first production from the Marsh Island project. The Greylock #1 well was successfully drilled, completed, and tied into the Company's Eugene Island Block 7 production facility. Production commenced on June 8, 2007. The Company holds a 54.5509% interest in this well and at the end of the quarter was flowing 3.1 MMCF/D. The well is currently producing at a rate of 4.4 MMCF/D. Concurrent with the tie-in of Greylock #1, two idle wells (35.5809% interest) beneath the production facility were returned to production at a combined stabilized rate of 1.0 MMCF/D for current total field production of 5.4 MMCF/D. The Company's share of total field production is 2.8 MMCF/D.

The Greylock well had spudded on February 19, 2007 and reached a total depth of 10,500 feet on March 3, 2007. Completion activities were undertaken immediately and the rig was moved off location by March 17, 2007. Pipeline and tie-in activities commenced immediately upon well completion and were completed ahead of the anticipated hook-up time of 90 days.

Four other wells are currently being drilled, testing prospects in both State and Federal waters.

The West Cameron Block 332 #1 well was spud in early June 2007 by Cairn USA, the project operator, utilizing the rig Pride Georgia. The Company holds a 25% interest in this project which comprises 5,000 acres in the Gulf of Mexico Outer Continental Shelf offshore Louisiana. The prospect is a structural pressured Miocene test with strong seismic attributes. The well is being drilled to a depth of 14,250 feet and, if successful, will be completed and tied into nearby existing infrastructure. The well is currently being side-tracked at 8,600 feet due to stuck casing at a lower depth of 11,500 feet. The side-track operation will not result in any extra drilling costs to the Company as the drilling contract is on a turn-key basis. The well is expected to reach total depth by the middle of September, 2007.

Another well currently underway in Gulf of Mexico Federal Waters is on Mustang Island Block 736. The well is testing a prospect approximately 30 miles from the Texas coastline in 155 feet of water. TODCO Rig 253 was mobilized to the site with drilling commencing on August 4, 2007. The Mustang Island Bock 736 prospect is a 13,115 feet MD geopressured Marg A test on a large structural trap that is supported by seismic attribute analysis. The well is expected to reach target depth in approximately 32 days. If successful, the well will be mud line suspended while a caisson is fabricated and installed. The Company has a 100% interest in the well.

At the Marsh Island project in State waters offshore Louisiana, the Boot Spur well commenced drilling in late June. The well is testing the Boot Spur Prospect and has been drilled to a total depth of 15,788 feet TVD/MD. Log analysis indicates that the primary Cib Op section has discovered a sub-commercial gas accumulation with an estimated 6 to 12 feet of laminated pay. However, the shallower Cris 1 sand appears to be gas saturated and the well will undergo further evaluation to determine its economic viability as a potential completion. The Company has a 35.5809% interest in the well.

Approximately 26 miles northwest of the Marsh Island project, the Company commenced drilling the LaPosada #1 well. The well is testing the LaPosada prospect located in the Bayou Hebert Field and is being drilled and operated by PetroQuest Energy, L.L.C. 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. Noble Rig 301 was mobilized to the site and drilling commenced on August 10, 2007. The well is expected to reach total depth by the end of November. The Company has a Participation Agreement for oil and gas exploration rights on 2,899.9 acres which includes the large LaPosada prospect. Bayou Bend will earn a 21.875 percent working interest in the initial well on LaPosada and future wells located on the associated acreage.

Towards the end of the quarter, the Company successfully bid for an additional 10 tracts of land in the State of Louisiana oil and gas lease auction. The successful bids cover 2,170.47 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 19,170 total acres of which Bayou Bend (operator) holds a 35.5809% working interest.

In Federal waters, the Company entered into a Farm-out Agreement for oil and gas exploration rights on an additional block in the Outer Continental Shelf, Gulf of Mexico. In this new block, South Marsh Island 165, the Company will earn a 100% working interest upon completion of its work commitment. 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 and a drilling program is planned to commence drilling later this year. The primary target is ponded turbidites in a salt-floored mini-basin at a prognosed depth of 8,200 feet.

Bayou Bend now holds or has earn-in rights for a 100% interest in 6 OCS Gulf of Mexico blocks (MU 736, SMI 164, WC 364, WC 263, WC 346, SMI 165) and earn-in rights for a 25% interest in a 7th block (WC 332).

For the remainder of 2007, the Company has at least 3 additional high potential wells scheduled in both Federal and State waters. In addition, the Company currently has 30 drillable prospects in its portfolio.

Corporate
On the corporate front, the Company's reporting currency has been changed from the Canadian dollar to the United States dollar. This change was made to facilitate the readers' understanding of our financial statements since the Company's operations are primarily conducted in U.S dollars. The comparative financial statements of prior periods have been restated to reflect this change.

Bayou Bend has enjoyed continued success in its second quarter period and looks forward to further success and growth in the months to come.

On behalf of the Board,

"Signed"

Clinton Coldren
President and CEO

August 21, 2007

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

MANAGEMENT DISCUSSION AND ANALYSIS
(Amounts in United States Dollars unless otherwise indicated)
Three and Six Months Ended June 30, 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 and six months ended June 30, 2007 and 2006 and related notes therein, prepared in accordance with Canadian generally accepted accounting principles. The effective date of the MD&A is August 21, 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 three months ended March 31, 2007, the Company began its transition into an oil and gas exploration and development company and completed several significant acquisitions.

Effective April 1, 2007, the Company's reporting currency was changed from Canadian dollars to U.S. dollars. The Company anticipates that its future sales will be earned in U.S. dollars and significant expenditures of the Company costs will be incurred in U.S. dollars. The comparative financial statements from prior periods have been restated to reflect this change.

During the three months and six months ended June 30, 2007, the Company's major accomplishments were as follows:

Three months ended June 30, 2007

- Completed acquisition of a 21.875% working interest in 2,899.9 acres, which includes the large LaPosada prospect, located in inland waters in the Bayou Hebert Field in Louisiana.
- Entered into a Farm-out Agreement for oil and gas exploration rights on South Marsh Island 165, an additional block in the Outer Continental Shelf, Gulf of Mexico.

- Completed the acquisition of five Gulf of Mexico offshore exploration leases (the "GOM Assets") from Pearl Exploration and Production Ltd.
- Established its first production from the Marsh Island project with the completion of the Greylock well, in which the Company holds a 54.5509% interest, and the reactivation of the two existing wells on the Company's Eugene Island Block 7 platform, in which the Company holds a 35.5809% interest.
- Commenced drilling its first well in the West Cameron Block 332, in which the Company holds a 25% interest. The well is being drilled to a depth of 14,250 feet, and, if successful, will be completed and tied into existing infrastructure. The well is currently being side tracked at 8,600 feet and is now expected to reach target depth by the middle of September. The side track operation will not result in any extra drilling costs as the drilling contract is on a turn-key basis.
- Started drilling its second well on the Marsh Island project, which is testing the Boot Spur prospect. The well has been drilled to a total depth of 15,788 feet TVD/MD. Log analysis indicates that the primary Cib Op section has discovered a sub-commercial gas accumulation with an estimated 6 to 12 feet of laminated pay. However, the shallower Cris 1 sand appears to be gas saturated and the well will undergo further evaluation to determine its economic viability as a potential completion. The Company has a 35.5809% interest in the well.
- In June, the Company successfully bid on an additional 10 tracts of land in the State of Louisiana oil and gas lease auction.

<u>Three months ended March 31, 2007</u>

- 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 Group from other participants to bring the Company's total interest to 35.5809%.

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

- On August 4, 2007, the Company spudded its second well in Federal Waters in the Gulf of Mexico. The well is testing a prospect in Mustang Island Block 736 which is approximately 30 miles from the Texas coastline in 155 feet of water. The well is expected to reach its target depth of 13,115 feet in early September. If successful, the well will be mud line suspended while a caisson is fabricated and installed. The Company has a 100% interest in this well.
- On August 10, 2007, drilling commenced on the Broussard Estes #1 well. The well is testing the LaPosada prospect located in inland waters in the Bayou Hebert Field and is being drilled and operated by PetroQuest Energy, L.L.C. 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 well is expected to reach total depth by the end of November. Bayou Bend will earn a 21.875 % working interest in the initial well on LaPosada and future wells located on the associated acreage.

Oil and Gas Acquisitions

On April 26, 2007, the Company entered into a participation agreement for oil and gas exploration rights on 2,899.9 acres, which includes the large LaPosada prospect, located in Iberia and Vermilion Parishes, Louisiana. Bayou Bend will fund 25% 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.

On May 8, 2007, the Company closed on the acquisition of the Gulf of Mexico Assets (GOM Assets) from Pearl Exploration and Production Ltd. The GOM Assets are comprised of a 100% working interest in five Gulf of Mexico offshore exploration blocks and farm-in rights to acquire a 25% working interest in a sixth offshore block. The GOM Assets were acquired in exchange for 10 million common shares with a value of $27.4 million.

In April 2007, the Company entered in a Farm-out Agreement for oil and gas exploration rights on SMI 165. Upon completion of its work commitment, the Company will earn a 100% working interest to the depth drilled. This shallow water block is located in 233 feet of water and encompasses over 2,500 acres.

In June, the Company was the successful bidder on an additional 10 tracts of land in the State of Louisiana oil and gas lease auction. The bids cover 2,170.47 acres of shallow water leases in the Marsh Island Project Area, in which the Company has a 35.5809% interest, bringing the total gross number of acres held by the Marsh Island Project Group to over 19,170 total acres.

Production

On June 8, 2007, the Company commenced its first production on its Greylock well, located within the Marsh Island Project Area. The well, which was the Company's first drilled in its multi-well program, is currently flowing at 4.2 MMCF/D. The well is tied into the Company's Eugene Island Block 7 production facility.

Selected Quarterly Information

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

($000s, except per share data)	30-Jun 2007	Mar 31 2007	Dec 31 2006	Sep 30 2006	Jun 30 2006	Mar 31 2006	Dec 31 2005
Revenue	$1,493	$597	$28	$25	$10	$Nil	$Nil
Net (loss)	($557)	($1,887)	($352)	($167)	($346)	($51)	$4
Net (loss) per share - basic	($0.00)	($0.01)	($0.01)	$0.00	$0.00	$0.00	$0.00
Net (loss) per share - diluted	($0.00)	($0.01)	($0.01)	$0.00	$0.00	$0.00	$0.00
Total assets	$232,075	$188,200	$2,559	$2,972	$3,004	$2,532	$2,630

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 year, revenues include oil and gas sales.

Results of Operations

The Company had a consolidated net loss of $557,000 for the three month period ended June 30, 2007 compared to a net loss of $346,000 for the same period in the prior year. For the six month period ended June 30, 2007, the Company had a consolidated net loss of $2,444,000 compared to a net loss of $398,000 for the same period in the prior year.

In 2006, the Company had limited activities associated with its mining activities. In the current year, the Company has incurred significant expenses related to the start-up of its oil and gas operations. The Company has some oil and gas revenues; however, the expenses offset these revenues. The various income and expenses categories are explained below in more detail.

<u>Oil and Gas Sales</u>
The Company had oil and gas sales of $299,000 and $471,000 for the three and six month periods ended June 30, 2007, respectively, compared to $nil for the prior year.

<u>Interest Income</u>
For the three and six month periods ended June 30, 2007, interest income was $1,194,000 and $1,619,000, respectively, compared to $10,000 and $nil for the comparable periods in 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.

<u>Production Costs</u>
The Company had production costs of $152,000 and $197,000 for the three and six month periods ended June 30, 2007, compared to $nil for the prior year.

General and Administrative Expenses

General and administrative expenses for the three and six month periods ended June 30, 2007 were $1,687,000 and $2,144,000, respectively, compared to $53,000 and $105,000 for the comparable periods in 2006.

The current year general and administrative expenses include $555,000 for legal and audit costs, $465,000 for salaries and benefits, $301,000 for management and consulting fees, and $823,000 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 $174,000 and $252,000 for the three and six month periods ended June 30, 2007 compared to $nil for the prior year. 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 $37,000 and $1,941,000 for the three and six month periods ended June 30, 2007. Stock-based compensation was $303,000 for the three and six month periods ended June 30, 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 month period ended March 31, 2007, the Company issued 2,615,000 options at prices ranging from $1.20 to $2.15. No stock options were issued for the three month period ended June 30, 2007.

Financial Condition

At June 30, 2007, the Company had total assets of $232,075,000 compared to $2,559,000 at December 31, 2006. The increase in assets is primarily the result of the private placement of common stock and the acquisition of the Summit assets in February 2007 and the acquisition of the GOM assets in May 2007.

Liquidity and Capital Resources

Working capital at June 30, 2007, totaled $117,577,000, compared to $2,488,000 at December 31, 2006.

Funds from operations were $7,364,000 and $10,809,000 for the three and six month periods ended June 30, 2007 compared to funds used in operations of $44,000 and $110,000 for the comparable periods in 2006.

Net cash provided from financing activities for the three and six month periods ended June 30, 2007 was $18,000 and $166,671,000, respectively, compared to $405,000 and $367,000 for the comparable periods in 2006. During the three months ended March 31, 2007 the Company issued 214,817,538 common shares at an average price of Cdn $0.97 per share.

Net cash used in investing activities was $5,719,000 and $63,163,000 for the three and six month periods ended June 30, 2007 compared to $1,000 and $1,000 for the comparable periods in 2006. During the six month period ended June 30, 2007, the Company used cash of $63,418,000 to add to its oil and gas interests through the acquisition of leases and exploration and development activities.

Contributed surplus increased $37,000 and $1,938,000 for the three and six month periods ended June 30, 2007 over the balance at December 31, 2006. The increase is due to the stock-based compensation for the periods. 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. During the three month period ended March 31, 2007, 750,000 stock options were exercised. No stock options were exercised during the three month period ended June 30, 2007.

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 August 21, 2007, the Company had 308,256,088 shares outstanding, 2,615,000 stock options outstanding under its stock-based compensation plan and 500,000 warrants outstanding.

Related Party Transactions

Namdo Management Services Ltd. (Namdo), an affiliated company, provides administrative support to the Company under an agreement which commenced April 1, 2007. The amount paid to Namdo during the six month period ended June 30, 2007 was $89,000.

During the six month period ended June 30, 2007, the Company incurred legal fees of $229,000 with a law firm in which an officer of the Company is a partner.

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 June 30, 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 is currently drilling one well in the Gulf of Mexico shallow water shelf area, one well in the Marsh Island Project area and one well in the Louisiana tidal area. For the remainder of 2007, the Company has at least 3 additional high potential wells scheduled in both Federal and State waters.

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 not 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 United States Dollars
(unaudited)

	June 30, 2007	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 127,708,000	$ 2,535,000
Accounts receivable	5,484,000	11,000
Prepaid expenses and deposits	615,000	13,000
	133,807,000	2,559,000
Petroleum and natural gas properties	98,520,000	-
Accumulated depletion, depreciation & amortization	(252,000)	-
Net properties	98,268,000	-
	$ 232,075,000	$ 2,559,000
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	$ 3,744,000	$ 53,000
Advances from joint interest holders	11,443,000	-
Asset retirement obligation	1,043,000	-
Due to related parties	-	18,000
	16,230,000	71,000
Asset retirement obligation	958,000	-
	17,188,000	71,000
SHAREHOLDERS' EQUITY		
Share capital	249,283,000	47,141,000
Contributed surplus	3,504,000	1,566,000
Accumulated other comprehensive income	10,761,000	(2,000)
Deficit	(48,661,000)	(46,217,000)
	214,887,000	2,488,000
	$ 232,075,000	$ 2,559,000

See accompanying notes to consolidated financial statements.

BAYOU BEND PETROLEUM LTD.
(formerly Kit Resources Ltd.)
Consolidated Statements of Operations and Deficit
Expressed in United States Dollars
(unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	2007	2006
Revenues				
Oil and gas sales	$ 299,000	$ -	$ 471,000	$ -
Interest income	1,194,000	10,000	1,619,000	10,000
	1,493,000	10,000	2,090,000	10,000
Expenses				
Production costs	152,000	-	197,000	-
Depletion, depreciation and amortization	174,000	-	252,000	-
General and administrative	1,687,000	53,000	2,144,000	105,000
Stock-based compensation	37,000	303,000	1,941,000	303,000
	2,050,000	356,000	4,534,000	408,000
Loss before income taxes	(557,000)	(346,000)	(2,444,000)	(398,000)
Capital taxes	-	-	-	-
	-	-	-	-
Net loss for the period	(557,000)	(346,000)	(2,444,000)	(398,000)
Deficit, beginning of period	(48,104,000)	(45,352,000)	(46,217,000)	(45,300,000)
Deficit, end of period	$ (48,661,000)	$ (45,698,000)	$ (48,661,000)	$ (45,698,000)
Basic loss per share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)
Diluted loss per share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)
Weighted average number of common shares used in computing earnings per share:				
Basic	304,000,044	81,736,737	247,276,708	80,810,290
Diluted	305,524,988	117,295,618	248,546,774	116,157,779

See accompanying notes to consolidated financial statements.

BAYOU BEND PETROLEUM LTD.
(formerly Kit Resources Ltd.)
Consolidated Statements of Cash Flows
Expressed in United States Dollars
(unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2007	2006	2007	2006
Operating activities				
Net loss	$ (557,000)	$ (346,000)	$ (2,444,000)	$ (398,000)
Items not involving cash:				
Depletion, depreciation and amortization	174,000	-	252,000	-
Stock-based compensation	37,000	303,000	1,941,000	303,000
Changes in non-cash operating working capital:				
Accounts receivable	(4,756,000)	-	(5,473,000)	(2,000)
Prepaid expenses and deposits	978,000	3,000	(602,000)	(3,000)
Accounts payable and accrued expenses	(1,701,000)	(4,000)	3,691,000	(10,000)
Advances from joint interest holders	11,443,000	-	11,443,000	-
Asset retirement obligation	1,746,000	-	2,001,000	
	7,364,000	(44,000)	10,809,000	(110,000)
Financing activities				
Issuance of share capital	18,000	401,000	166,785,000	423,000
Repayment of related party loans	-	4,000	(18,000)	(56,000)
	18,000	405,000	166,767,000	367,000
Investing activities				
Additions to petroleum and natural gas properties	(5,719,000)	(1,000)	(63,163,000)	(1,000)
	(5,719,000)	(1,000)	(63,163,000)	(1,000)
Effect of exchange rate changes in cash	8,125,000	102,000	10,760,000	99,000
Net increase in cash and cash equivalents	9,788,000	462,000	125,173,000	355,000
Cash and cash equivalents - beginning of period	117,920,000	2,274,000	2,535,000	2,381,000
Cash and cash equivalents - end of period	$ 127,708,000	$ 2,736,000	$ 127,708,000	$ 2,736,000
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	$ -	$ -	$ 10,593,000	$ -
Acquisition of GOM assets through the issuance of common stock	24,764,000	-	24,764,000	-
	$ 24,764,000	$ -	$ 35,357,000	$ -

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 U.S.A., 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, except for the adoption as of January 1, 2007 of Section 1530, Comprehensive Income. 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) New Accounting Standard

On January 1, 2007, the Company adopted a new accounting standard issued by the Canadian Institute of Chartered Accountants, Handbook Section 1530, Comprehensive Income.

Section 1530 introduces comprehensive income, which consists of net income and other comprehensive income. Other comprehensive income represents changes in shareholders' equity during a period arising from transactions and other events and circumstances from non-owner sources and includes unrealized foreign currency translation gains and losses arising from self-sustaining foreign operations.

c) 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.

d) Foreign Currency Translation

Effective April 1, 2007, the Company's reporting currency was changed from Canadian dollars to U.S. dollars. The Company anticipates that its future sales will be earned in U.S. dollars and significant expenditures of the Company costs will be incurred in U.S. dollars. The comparative financial statements from prior periods have been restated to reflect this change.

For the restatement, the Company followed the method suggested by the Emerging Issues Committee ("EIC") in release number EIC-130. All prior year financial statements were translated using the current rate method. This method of translation resulted in the financial statements of prior years being translated as if the U.S. dollar reporting currency had been used in those years. The resulting exchange gains and losses were recorded as a cumulative translation adjustment in shareholders' equity.

Prospectively, the activities of the company and its subsidiary companies are considered to be integrated. Accordingly, monetary assets and liabilities denominated in other currencies will be translated into U.S. dollars at the exchange rate in effect at the balance sheet date, non-monetary assets and liabilities denominated in other currencies at the exchange rates in effect at the time of acquisition or issue, and revenues and other expenses at rates approximating exchange rates in effect at the time of the transactions. Exchange gains or losses are included in the statement of operations.

e) 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. 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.

Expressed in United States Dollars

f) 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. COMPREHENSIVE INCOME

The following table reconciles the changes in accumulated other comprehensive income for the six month periods ended June 30, 2007 and 2006.

	For the six months ended June 30, 2007		For the six months ended June 30, 2006	
Accumulated other comprehensive income (loss), beginning of period		$ (2,000)		$ 19,000
Net loss for the period	$ (2,444,000)		$ (398,000)	
Other comprehensive income:				
Unrealized gains (losses) on translation of financial statements of self-sustaining foreign operations	10,763,000	10,763,000	$ 99,000	99,000
Comprehensive income (loss)	$ 8,319,000		$ (299,000)	
Accumulated other comprehensive income, end of period		$ 10,761,000		$ 118,000

5. ACQUISITIONS

On February 20, 2007, the Company acquired all of the issued and outstanding membership interests of Summit for cash consideration of $34,043,000. The assets acquired included an 18.1634% interest in a portfolio of assets onshore and offshore

Expressed in United States Dollars

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.

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 $1,458,000.

The Company also acquired from certain other participants an additional 17.4175% interest in the Marsh Island project for consideration of $21,263,000. The consideration paid included the issuance of 393,267 shares of stock with a value of $474,000.

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 $8,661,000.

The total consideration, including other related properties and transaction costs, for the above acquisitions was $65,425,000. The allocation of the purchase price is as follows:

Petroleum and natural gas properties	$ 63,881,000
Working capital	1,799,000
Asset retirement obligation	(255,000)
	$ 65,425,000

6. PETROLEUM AND NATURAL GAS PROPERTIES

	June 30, 2007		
	Cost	**Accumulated Depletion**	**Net**
Producing properties	$ 6,154,000	$ (252,000)	$ 5,902,000
Exploration and development properties	$ 92,366,000	$ -	$ 92,366,000
	$ 98,520,000	$ (252,000)	$ 98,268,000

At December 31, 2006, the net book value of petroleum and natural gas properties was nil.

Expressed in United States Dollars

Producing properties include the Greylock and Jefferson Island properties.

Exploration and development properties are oil and gas interests that the Company considers unproved and excludes from the depletion calculation.

7. 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	$ 47,141,000	$ 1,566,000
Issued for cash:			
- private placement	166,666,667	163,114,000	
- property acquisition	10,000,000	24,764,000	
- warrants exercised	38,785,000	3,313,000	
- stock options exercised	750,000	358,000	
Issued during the year:			
- Summit acquisitions	8,815,871	10,593,000	
- stock options granted			1,938,000
Balance - June 30, 2007	308,256,088	$ 249,283,000	$ 3,504,000

During the first quarter, the Company closed a private placement of 166,666,667 shares at a price of Cdn$1.20 per share. Gross proceeds of the offering were Cdn$200,000,000 (Cdn$190,796,000 net of filing fees). During the second quarter the Company finalized the acquisition of the Gulf of Mexico Assets in exchange for 10 million common shares of the Company.

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

Expressed in United States Dollars

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 first quarter, the Company granted options to purchase 1,450,000 shares of the Company at Cdn$1.20 per share, exercisable by January 18, 2012, 550,000 shares of the Company at Cdn$1.20 per share, exercisable by January 19, 2012, 150,000 shares of the Company at Cdn$2.15 per share, exercisable by March 27, 2012, and 465,000 shares of the Company at Cdn$2.15 per share, exercisable by March 27, 2010. During the first quarter, stock options were exercised to purchase 750,000 shares at an average exercise price of Cdn$0.56 per share.

ii) A summary of the Company's options at June 30, 2007 and the changes for the first six months are as follows:

Exercise Price	Outstanding December 31, 2006	Granted	Exercised	Cancelled	Outstanding June 30, 2007	Expiry Date
Cdn $0.15	250,000		(250,000)		-	
Cdn $0.76	500,000		(500,000)		-	
Cdn $0.75	250,000			(250,000)	-	
Cdn $1.20		1,450,000			1,450,000	Jan 18, 2012
Cdn $1.20		550,000			550,000	Jan 18, 2013
Cdn $2.15		150,000			150,000	Mar 27, 2012
Cdn $2.15		465,000			465,000	Mar 27, 2010
Totals:	1,000,000	2,615,000	(750,000)	(250,000)	2,615,000	
Weighted average exercise price	Cdn $0.61	Cdn $1.42	Cdn $0.56	Cdn $0.75	Cdn $1.45	

All options outstanding at June 30, 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 stock option compensation expense is calculated using the Black-Scholes Option Pricing Model with the following assumptions from the date of grant:

Expressed in United States Dollars

	March 31, 2007
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

Stock option compensation expense for the three months ended June 30, 2007 and 2006 were $37,000 and $303,000, respectively. Stock option compensation expense for the six months ended June 30, 2007 and 2006 were $1,941,000 and $303,000, respectively.

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 Cdn $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 first three months ended March 31, 2007, 38,585,000 shares were issued at Cdn $0.10 per share, pursuant to these warrants. During the second three months ended June 30, 2007, 200,000 shares were issued at Cdn $0.10 per share. As of June 30, 2007, the Company had share purchase warrants outstanding to purchase 500,000 shares at Cdn $0.10 per share, exercisable by January 9, 2008.

8. INCOME TAXES

As at December 31, 2006, the Company had approximately $1,071,000 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 $2,747,000 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.

BAYOU BEND PETROLEUM LTD.

DIRECTORS

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

OFFICERS

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

CORPORATE INFORMATION

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

AUDITOR
KPMG
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