

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.
(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.
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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
	<u>1,493,000</u>	<u>10,000</u>	<u>2,090,000</u>	<u>10,000</u>
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
	<u>2,050,000</u>	<u>356,000</u>	<u>4,534,000</u>	<u>408,000</u>
Loss before income taxes	(557,000)	(346,000)	(2,444,000)	(398,000)
Capital taxes	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	<u>\$ (48,661,000)</u>	<u>\$ (45,698,000)</u>	<u>\$ (48,661,000)</u>	<u>\$ (45,698,000)</u>
Basic loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares used in computing earnings per share:				
Basic	<u>304,000,044</u>	<u>81,736,737</u>	<u>247,276,708</u>	<u>80,810,290</u>
Diluted	<u>305,524,988</u>	<u>117,295,618</u>	<u>248,546,774</u>	<u>116,157,779</u>

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	-
	<u>7,364,000</u>	<u>(44,000)</u>	<u>10,809,000</u>	<u>(110,000)</u>
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)
	<u>18,000</u>	<u>405,000</u>	<u>166,767,000</u>	<u>367,000</u>
Investing activities				
Additions to petroleum and natural gas properties	(5,719,000)	(1,000)	(63,163,000)	(1,000)
	<u>(5,719,000)</u>	<u>(1,000)</u>	<u>(63,163,000)</u>	<u>(1,000)</u>
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	<u>\$ 127,708,000</u>	<u>\$ 2,736,000</u>	<u>\$ 127,708,000</u>	<u>\$ 2,736,000</u>
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	-
	<u>\$ 24,764,000</u>	<u>\$ -</u>	<u>\$ 35,357,000</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

BAYOU BEND PETROLEUM LTD.
(formerly Kit Resources Ltd.)
Notes to the Consolidated Financial Statements
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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.

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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

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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

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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.

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	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

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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	<u>(255,000)</u>
	<u>\$ 65,425,000</u>

6. PETROLEUM AND NATURAL GAS PROPERTIES

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

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

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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:

	<u>Number of Shares</u>	<u>Share Capital</u>	<u>Contributed Surplus</u>
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	<u>308,256,088</u>	<u>\$ 249,283,000</u>	<u>\$ 3,504,000</u>

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

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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:

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	<u>March 31, 2007</u>
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
<p>Clinton W. Coldren Director New Orleans, Louisiana</p>
<p>Brian D. Edgar Director Vancouver, British Columbia</p>
<p>Gary S. Guidry Director Calgary, Alberta</p>
<p>Keith C. Hill Director Vancouver, British Columbia</p>
<p>John Zaozirny Director Calgary, Alberta</p>
OFFICERS
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<p>Clinton W. Coldren President & Chief Executive Officer New Orleans, Louisiana</p>
<p>William D. Hoffman Chief Financial Officer New Orleans, Louisiana</p>
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<p>INVESTOR RELATIONS Sophia Shane Vancouver, British Columbia</p>