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

Consolidated Financial Statements

Third Quarter Report

For The

Three and Nine Months Ended September 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.

Third Quarter Report
For the Period Ended September 30, 2007

Bayou Bend's focus is high impact exploration in the prolific Gulf of Mexico, offshore Louisiana and Texas. Since inception in February, 2007 the Company has raised Cdn $200 million, put 3 wells into production, acquired over 108,000 acres in the Gulf of Mexico and Louisiana state waters and assembled a top-class management and technical team with one of the most successful track records in the industry.

The Company is currently finalizing its 2008 capital program and anticipates participating in at least 10 exploration wells during the year on its projects in both Federal and State waters. Although we were disappointed in the result of the Mustang Island exploration well, the future is still bright at Bayou Bend. The Company has a solid balance sheet with sufficient cash to drill the exploration wells that will expose the majority of the resource potential in 2008. In addition, the highly prospective exploration portfolio in the core Marsh Island area is as exciting as ever. After the initial setback with Boot Spur, we have focused our efforts on further reducing technical risks through additional seismic reprocessing and other technical studies. This work is nearing completion and we plan on drilling our next prospect in the Marsh Island area in the first quarter of 2008.

Marsh Island

At the Marsh Island Area located in State waters offshore Louisiana, the Company holds a large, highly prospective land package. Bayou Bend drilled its first successful well, Greylock #1, in this area and returned two idle wells back into production, tying all three wells into the Company's Eugene Island Block 7 production facility. Current total field production is 4.5 MMCF/D. The Company's working interest share of the total field production is 2.3 MMCF/D.

During the third quarter, the Company drilled a second well, Boot Spur, to a total depth of 15,788 feet TVD/MD. Log analysis indicated that the primary Cib Op section 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 and may be a candidate for a sidetrack. 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 in February 2008. 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% working interest at casing point in the initial well on LaPosada and future wells located on the associated acreage.

Eleven additional wells have been permitted to date for the Marsh Island project area.

Bayou Bend has initiated an important "super merge" seismic reprocessing project over the entire Marsh Island area. There are currently 4 independent 3D surveys over the area (2 proprietary, 2 multi-client) and as a result, processing has been inconsistent causing data differences along the survey edges in all of the overlap zones. In addition, the deep imaging quality has been compromised due to lack of merging the original seismic grids prior to 3D migration.

The Gulf of Mexico requires state of the art seismic data, processing and interpretation for success. We have a top team of processors and interpreters in the process of integrating this vital regional 3D seismic data which will help our exploration program succeed on our highly prospective leases.

OCS Gulf of Mexico

In Federal Gulf of Mexico waters, the Company now holds one farm-in and 13 blocks under lease, with two additional leases expected to be awarded by the MMS. The Company successfully bid in 2 lease sales during the quarter.

On West Cameron Block 332 the Company drilled the West Cameron Block 332 #1 well to a total depth of 14,250' MD. Wire-line log evaluation indicated non-reservoir quality silts and tight sands in the objective section and, as a result, the well was plugged and abandoned.

On Mustang Island Block 736, the MU 736 #1 well was drilled to a depth of 12,021' MD. The well was to be fully evaluated at this point, however, due to significant loss circulation and well control issues it was necessary to cement the open hole and sidetrack the well. The side-track well was drilled to a total depth of 11,190' MD. Strong gas shows were encountered during the drilling of the well and preliminary analysis of electric logs indicated an apparent pay zone in the Marg A section of the wellbore. Production casing was run on the apparent physical pay. The two formation tests completed in the well bore flowed formation water and therefore the well has been assessed as non-commercial. Operations are currently underway to plug and abandon the well.

Corporate

During the quarter, the Company was pleased to announce the appointment of William Sack as Senior Vice President of Exploration. Mr. Sack brings over 20 years of experience in the oil and gas industry with particular expertise in Gulf of Mexico exploration. Mr. Sack has enjoyed a consistent track record of success and held senior exploration management positions in large companies operating in the Gulf including Shell Offshore Inc. and Petsec Energy, Inc.

Recently the Company also announced the appointment of Melinda L. Stuart as Vice President of Asset Development. Ms Stuart has held various petroleum engineering positions in the Gulf Coast Area for over 20 years. Ms Stuart served most recently as the Gulf Coast Exploitation Manager for Stone Energy Corporation and prior to that was employed by Chevron for 11 years.

Bayou Bend looks forward to a busy 2008 drilling program and success and growth in the months to come.

On Behalf of the Board

Clinton W. Coldren
President and CEO

November 21, 2007

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

MANAGEMENT DISCUSSION AND ANALYSIS
(Amounts in United States Dollars unless otherwise indicated)
Three and Nine Months Ended September 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 nine months ended September 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 November 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. Prior 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 nine months ended September 30, 2007, the Company's major accomplishments and other significant events were as follows:

Three months ended September 30, 2007

- On August 4, 2007, the Company spudded its second well in Federal Waters in the Gulf of Mexico. The well was testing a prospect in Mustang Island Block 736 which is approximately 30 miles from the Texas coastline in 155 feet of water. After drilling to a depth of 11,190 feet, the well was evaluated with open-hole logs and production casing was run on apparent petrophysical gas pay. During November, there were two formation tests completed in the well bore which flowed formation water and therefore the well has been assessed as non-commercial. Operations are currently underway to plug and abandon the well. Total drilling costs for this well are estimated to approximate $29,000,000. 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 currently drilling ahead at 15,217 feet and is expected to reach the planned total depth of 19,300 feet in February 2008. Bayou Bend will earn a 21.875 % working interest in the initial well on LaPosada and future wells located on the associated acreage.
- In August, the Company announced that the #1 well on the Bootspur prospect had been drilled to a total depth of 15,788 feet MD, but that log analysis indicated that the primary Cib Op section discovered a sub-commercial gas accumulation with an estimated 6 – 12 feet of laminated pay. The shallower Cris I sand did appear to be gas saturated. The well has been temporarily abandoned while the logging results are undergoing further evaluation to determine the well's economic viability as a potential completion.
- In September, the Company reported that the West Cameron 332 #1 well, operated by Cairn Energy, USA, was drilled to a total depth of 14,250 feet MD, logged and evaluated. Wire-line log evaluation indicated there were non-reservoir quality silts and tight sands in the objective section. The wellbore was subsequently plugged and abandoned.
- In August the Company successfully bid on, and was subsequently awarded, two blocks (#542 and #547) in the West Cameron offshore area bringing the total gross acreage held by the Company to 73,057 acres.

<u>Nine months ended September 30, 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%.
- Drilled its first well and 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 reactivated two existing wells on the Company's Eugene Island Block 7 platform, in which the Company holds a 35.5809% interest.

Subsequent to the quarter end, the Company had significant additional activities as follows:

- In October the Company was the apparent high bidder on seven blocks (of which five blocks have been awarded to date) in West Cameron (#244, #250 and #251), East Cameron (#116 and #143), Vermillion (#208) and Eugene Island (#59). Once all of the blocks are awarded by the Mineral Management Service, the total gross acreage held by the Company will be 108,057 acres.

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.

In April 2007, the Company entered in a Farm-out Agreement for oil and gas exploration rights on SMI 165. The Amended Agreement requires the spudding of a well on the lease prior to March 15, 2008. This shallow water block is located in 233 feet of water and encompasses over 2,500 acres.

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 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 26,897 total acres.

In August the Company successfully bid on two blocks (#542 and #547) in the West Cameron offshore area and in October the Company was the apparent high bidder on seven blocks in West Cameron (#244, #250 and #251), East Cameron (#116 and #143), Vermillion (#208) and Eugene Island (#59). Five of these blocks have since been awarded. Once the remaining blocks are awarded by the Mineral Management Service, the total gross acreage held by the Company will be 108,057 acres.

Production

	Three months ended		Nine months ended	
	Sep 30, 2007	Sep 30, 2006	Sep 30, 2007	Sep 30, 2006
Oil & gas sales	$ 1,077,000	$ -	$ 1,548,000	$ -
Oil (net bopd)	24	-	19	-
Natural gas (net mcf/d)	1,473	-	1,468	-
Total (net mcfe/d)*	1,618	-	1,580	-
Oil - average selling price per bbl	$ 77.37	$ -	$ 71.19	$ -
Gas - average selling price per mcf	$ 5.85	$ -	$ 6.22	$ -

* oil production converted at 6:1

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 producing at 1,160 mcf/d on a net revenue interest basis. The well, in which the Company holds a 54.5509% working interest and a 38.8703% net revenue interest, is tied into the Company's Eugene Island Block 7 production facility. The two wells adjacent to the Company's production facility, in which the Company holds a 35.5809% working interest and a 25.2124% net revenue interest, are producing at a combined rate of 200 mcf/d for a total field production of 1,360 mcf/d on a net revenue interest basis.

In addition to the production associated with the Eugene Island Block 7 facility, the Company's interest in its Jefferson Island wells produced 238 mcfe/d on a net revenue basis.

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-Sep 2007	30-Jun 2007	Mar 31 2007	Dec 31 2006	Sep 30 2006	Jun 30 2006	Mar 31 2006
Revenue - oil & gas sales	$1,077	$299	$172	$0	$0	$0	$Nil
Net income (loss)	$377	($557)	($1,887)	($352)	($167)	($346)	($51)
Net (loss) per share - basic	$0.00	($0.00)	($0.01)	($0.01)	$0.00	$0.00	$0.00
Net (loss) per share - diluted	$0.00	($0.00)	($0.01)	($0.01)	$0.00	$0.00	$0.00
Total assets	$245,907	$232,075	$188,200	$2,559	$2,972	$3,004	$2,532

The increase in revenue for the three month period ended September 30, 2007, is primarily due to increased gas production compared to the prior quarter as a result of the Greylock well commencing production on June 8, 2007.

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 consolidated net income of $377,000 for the three month period ended September 30, 2007 compared to a net loss of $167,000 for the same period in the prior year. For the nine month period ended September 30, 2007, the Company had a consolidated net loss of $2,067,000 compared to a net loss of $565,000 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 $1,077,000 and $1,548,000 for the three and nine month periods ended September 30, 2007, respectively, compared to $nil for the prior year. The increase in oil and gas sales during the three months ended September 30, 2007, compared to the prior quarter is primarily due to an increase in gas production volumes as a result of the Greylock well commencing production on June 8, 2007.

<u>Interest Income</u>
For the three and nine month periods ended September 30, 2007, interest income was $1,389,000 and $3,008,000, respectively, compared to $26,000 and $36,000 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 $351,000 and $548,000 for the three and nine month periods ended September 30, 2007, compared to $nil for the prior year.

<u>General and Administrative Expenses</u>
General and administrative expenses for the three and nine month periods ended September 30, 2007 were $888,000 and $3,032,000, respectively, compared to $128,000 and $431,000 for the comparable periods in 2006.

The current year general and administrative expenses include $789,000 for legal, accounting and audit costs, $782,000 for salaries and benefits, $472,000 for management and consulting fees, $332,000 for travel and $657,000 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 $759,000 and $1,011,000 for the three and nine month periods ended September 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 $91,000 and $2,032,000 for the three and nine month periods ended September 30, 2007. Stock-based compensation was $128,000 and $431,000 for the three and nine month periods ended September 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 nine month period ended September 30, 2007, the Company issued 3,315,000 options at prices ranging from $1.20 to $2.15.

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.

The Company's operations in the United States are denominated in U.S. dollars and are considered self-sustaining.

During the three and nine month periods ended September 30, 2007, unrealized gains on translation of foreign currencies were $7,261,000 and $18,024,000, respectively. These gains result from the strengthening of the Canadian dollar against the U.S. dollar.

As of November 21, 2007, the Company had approximately $42,000,000 Canadian dollars and approximately $58,000,000 United States dollars in its cash and investments accounts.

Financial Condition

At September 30, 2007, the Company had total assets of $245,907,000 compared to $2,559,000 at December 31, 2006. The increase in assets is primarily the result of the private placement of common stock, 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 September 30, 2007, totaled $99,432,000, compared to $2,488,000 at December 31, 2006.

Funds used in operations were $12,755,000 and $1,946,000 for the three and nine month periods ended September 30, 2007 compared to funds used in operations of $20,000 and $130,000 for the comparable periods in 2006.

Net cash provided from financing activities for the three and nine month periods ended September 30, 2007 was $nil and $166,767,000, respectively, compared to $(8,000) and $359,000 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 $9,156,000 and $72,319,000 for the three and nine month periods ended September 30, 2007 compared to $nil and $1,000 for the comparable periods in 2006. During the nine month period ended September 30, 2007, the Company used cash of $72,319,000 to add to its oil and gas interests through the acquisition of leases and exploration and development activities.

Contributed surplus increased $91,000 and $2,032,000 for the three and nine month periods ended September 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 other stock options were exercised during the nine month period ended September 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 November 21, 2007, the Company had 308,256,088 shares outstanding, 3,315,000 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 nine month period ended September 30, 2007 was $129,000.

During the nine month period ended September 30, 2007, the Company incurred legal fees of $219,000 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. On August 23, 2007, William Sack was appointed Senior Vice President of Exploration. On November 16, 2007, Melinda L. Stuart was appointed Vice President of Asset Development.

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 September 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 Louisiana tidal area. No additional wells are scheduled to be drilled during the remainder of 2007.

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.

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

	September 30, 2007	December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 113,061,000	$ 2,535,000
Accounts receivable	8,157,000	11,000
Prepaid expenses and deposits	556,000	13,000
	121,774,000	2,559,000
Petroleum and natural gas properties	125,144,000	-
Accumulated depletion, depreciation & amortization	(1,011,000)	-
Net properties	124,133,000	-
	$ 245,907,000	$ 2,559,000
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	$ 18,361,000	$ 53,000
Advances from joint interest holders	2,948,000	-
Asset retirement obligation	1,033,000	-
Due to related parties	-	18,000
	22,342,000	71,000
Asset retirement obligation	946,000	-
	23,288,000	71,000
SHAREHOLDERS' EQUITY		
Share capital	249,283,000	47,141,000
Contributed surplus	3,598,000	1,566,000
Accumulated other comprehensive income	18,022,000	(2,000)
Deficit	(48,284,000)	(46,217,000)
	222,619,000	2,488,000
	$ 245,907,000	$ 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 September 30		For the nine months ended September 30	
	2007	2006	2007	2006
Revenues				
Oil and gas sales	$ 1,077,000	$ -	$ 1,548,000	$ -
	1,077,000	-	1,548,000	-
Expenses				
Production costs	351,000	-	548,000	-
Depletion, depreciation and amortization	759,000	-	1,011,000	-
General and administrative	888,000	65,000	3,032,000	170,000
Stock-based compensation	91,000	128,000	2,032,000	431,000
	2,089,000	193,000	6,623,000	601,000
Other income (expense)				
Interest income	1,389,000	26,000	3,008,000	36,000
	1,389,000	26,000	3,008,000	36,000
Income (loss) before income taxes	377,000	(167,000)	(2,067,000)	(565,000)
Capital taxes	-	-	-	-
	-	-	-	-
Net income (loss) for the period	377,000	(167,000)	(2,067,000)	(565,000)
Deficit, beginning of period	(48,661,000)	(45,698,000)	(46,217,000)	(45,300,000)
Deficit, end of period	$ (48,284,000)	$ (45,865,000)	$ (48,284,000)	$ (45,865,000)
Basic income (loss) per share	$ 0.00	$ (0.00)	$ (0.01)	$ (0.01)
Diluted income (loss) per share	$ 0.00	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of common shares used in computing earnings per share:				
Basic	308,256,088	83,013,550	267,826,536	79,880,143
Diluted	308,868,332	83,013,550	267,826,536	79,880,143

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 September 30		For the nine months ended September 30	
	2007	2006	2007	2006
Operating activities				
Net income (loss)	$ 377,000	$ (167,000)	$ (2,067,000)	$ (565,000)
Items not involving cash:				
Depletion, depreciation and amortization	759,000	-	1,011,000	-
Stock-based compensation	91,000	128,000	2,032,000	431,000
Changes in non-cash operating working capital:				
Accounts receivable	(2,673,000)	2,000	(8,146,000)	-
Prepaid expenses and deposits	59,000	3,000	(543,000)	-
Accounts payable and accrued expenses	(2,851,000)	14,000	840,000	4,000
Advances from joint interest holders	(8,495,000)	-	2,948,000	-
Asset retirement obligation	(22,000)	-	1,979,000	
	(12,755,000)	(20,000)	(1,946,000)	(130,000)
Financing activities				
Issuance of share capital	-	3,000	166,785,000	426,000
Repayment of related party loans	-	(11,000)	(18,000)	(67,000)
	-	(8,000)	166,767,000	359,000
Investing activities				
Exploration and development expenditures	(9,156,000)	-	(72,319,000)	(1,000)
	(9,156,000)	-	(72,319,000)	(1,000)
Effect of exchange rate changes in cash	7,264,000	-	18,024,000	99,000
Net increase in cash and cash equivalents	(14,647,000)	(28,000)	110,526,000	327,000
Cash and cash equivalents - beginning of period	127,708,000	2,736,000	2,535,000	2,381,000
Cash and cash equivalents - end of period	$ 113,061,000	$ 2,708,000	$ 113,061,000	$ 2,708,000
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	-
	$ -	$ -	$ 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 Standards

On January 1, 2007, the Company adopted a new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA), 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.

On January 1, 2007, the Company also adopted the following new CICA accounting standards: "Financial Instruments – Recognition and Measurement" (section 3855); "Financial Instruments – Disclosure and Presentation" (section 3861), and "Hedges" (section 3865). The adoption of these standards had no financial statement impact to the Company.

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 Unless Otherwise Noted

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 nine month periods ended September 30, 2007 and 2006.

	For the nine months ended September 30, 2007		For the nine months ended September 30, 2006	
Accumulated other comprehensive income (loss), beginning of period		$ (2,000)		$ 19,000
Net income (loss) for the period	$ (2,067,000)		$ (565,000)	
Other comprehensive income:				
Unrealized gains (losses) on translation of financial statements of self-sustaining foreign operations	18,024,000	18,024,000	$ 99,000	99,000
Comprehensive income (loss)	$ 15,957,000		$ (466,000)	
Accumulated other comprehensive income, end of period		$ 18,022,000		$ 118,000

Expressed in United States Dollars Unless Otherwise Noted

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 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

	September 30, 2007		
	Cost	Accumulated Depletion	Net
Producing properties	$ 8,944,000	$ (1,011,000)	$ 7,933,000
Exploration and development properties	$ 116,200,000	$ -	$ 116,200,000
	$ 125,144,000	$ (1,011,000)	$ 124,133,000

Expressed in United States Dollars Unless Otherwise Noted

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

Producing properties include the Greylock, Eugene Island Block 7 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					2,032,000
Balance - September 30, 2007	308,256,088	$	249,283,000	$	3,598,000

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 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.

Expressed in United States Dollars Unless Otherwise Noted

The continuity of incentive stock options issued and outstanding is as follows:

Stock Option Continuity

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2006	1,000,000	Cdn $0.61
Granted	3,165,000	Cdn $1.47
Exercised	(750,000)	Cdn $0.56
Cancelled/Forfeited	(100,000)	Cdn $2.24
Outstanding at September 30, 2007	3,315,000	Cdn $1.39

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. The weighted average fair value of options granted during 2007 and the assumptions used in their determination are as follows.

	September 30, 2007
Expected dividend yield	0%
Risk-free interest rate (weighted average)	4.04%
Expected stock price volatility (average)	73.91%
Expected option life in years (weighted average)	3.78

Stock option compensation expense for the three months ended September 30, 2007 and 2006 were $91,000 and $128,000, respectively. Stock option compensation expense for the nine months ended September 30, 2007 and 2006 were $2,032,000 and $431,000, 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 September 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.

9. 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 three and nine month periods ended September 30, 2007 was $51,000 and $129,000.

During the three and nine month periods ended September 30, 2007, the Company incurred legal fees of $12,000 and $219,000 with a law firm in which an officer of the Company is a partner.

10. SUBSEQUENT EVENT

On November 20, 2007, the Company completed its evaluation of test results and determined that its exploratory Mustang Island 736 #1 well was non-commercial. At September 30, 2007, petroleum and natural gas properties on the balance sheet included costs of $15,900,000 associated with the drilling of this well. Total drilling costs for this well are estimated to approximate $29,000,000.

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

William R. Sack
Senior Vice President Exploration
Lafayette, Louisiana

Melinda L. Stuart
Vice President Asset Development
Lafayette, Louisiana

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