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.

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