BAYOU BEND PETROLEUM LTD.

Consolidated Financial Statements

First Quarter Report

For The

Three Months Ended March 31, 2008

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

Bayou Bend Petroleum Ltd.
First Quarter Report
For the Period Ended March 31, 2008

To our shareholders:

The coming year will be very active and important in the growth of Bayou Bend Petroleum Ltd. (the “Company” or “Bayou Bend”) as a Gulf of Mexico exploration and production company. Up to twelve exploration wells are planned to be drilled in 2008 including nine in the offshore Louisiana Marsh Island area and three on OCS Federal Waters prospects. Despite some disappointment in several exploration dry holes last year, the Company has a large inventory of existing and developing high potential prospects and the financial resources to fund the entire program in the coming year.

During the first quarter of the year, the seismic data super merge project over Marsh Island which consisted of the reprocessing of two proprietary and two multi-client 3D surveys was completed. This integrated, improved data is greatly assisting the Company with its ongoing exploration in the area. In addition to mapping prospects within the Marsh Island Area, the Company has also been developing its leased acreage in the Federal waters which require shallow hazard surveys and plans for exploration that must be filed with the regulatory bodies.

The first well of the 2008 drilling program has spudded and is drilling ahead testing the Eagle’s Nest Prospect on the Marsh Island project. This prospect is a possible extension of the Contango Operators, Inc. (“Contango”) Dutch / Mary Rose discovery onto Bayou Bend acreage. This discovery is one of the largest discoveries in recent history in the shallow gulf and Contango has reported proved and probable reserves of 750 billion cubic feet of gas as of December 31, 2007.

The well is operated by Contango and will be drilled to a depth of 15,900’. If successful, production will flow through Contango’s “H” Platform Facilities in Eugene Island Block 11. The rig contracted for the well is the Atwood Richmond. The well is expected to reach total depth by May, 2008. The prospect is being explored under a Joint Exploration Agreement ("JEA") with Contango and other partners. Bayou Bend holds a 12.453525% working interest position in the JEA, with a 8.935404% net revenue interest.

The second well of the 2008 program is scheduled to spud in June, 2008 testing the Haystack prospect on Marsh Island. This will be the first well of the year drilled by the Company. The well will test a relatively shallow normal pressure section in target sands that are productive in an offset trap nearby and regionally.

At the La Posada prospect located to the north of Marsh Island, the Company and its partners are reviewing the drill data from their attempt at drilling this well last year. 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 and sidetrack encountered difficult subsurface conditions which resulted in the Company having to suspend drilling operations. The geological assessment of the prospect remains highly prospective as the target objectives came in higher than prognosis. The

Company is hoping to redrill the prospect in late 2008 or early 2009 once a revised drilling plan has been completed.

Effective April 1, 2008 the Company was pleased to have Mr. T. Rodney Dykes join the management team as Senior Vice President of Operations. Mr. Dykes brings 30 years of oil and gas management experience to the Company and will be responsible for drilling, production and facility operations. Prior to Bayou Bend, Mr. Dykes was most recently Senior Vice President of Production for Energy Partners, Ltd.

It's a busy year ahead for Bayou Bend with an aggressive drill program targeting high impact prospects. The Company is excited about the potential of its work in the prolific Gulf of Mexico and looks forward to a successful 2008 drilling program.

On Behalf of the Board

Clinton W. Coldren
President and CEO

May 5, 2008

BAYOU BEND PETROLEUM LTD.

MANAGEMENT DISCUSSION AND ANALYSIS
(Amounts in United States Dollars unless otherwise indicated)
Three Months Ended March 31, 2008 and 2007

Management's discussion and analysis ("MD&A") of Bayou Bend Petroleum Ltd.'s (the "Company" or "Bayou Bend") financial condition and results of operations should be read in conjunction with the unaudited consolidated financial statements for the three months ended March 31, 2008 and 2007 and related notes therein, prepared in accordance with Canadian generally accepted accounting principles. The effective date of the MD&A is May 5, 2008. 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 ended March 31, 2008, the Company's major accomplishments and other significant events were as follows:

- In March 2008 the Company announced that it had entered into a Joint Exploration Agreement with Contango Operators, Incorporated (Contango) and their partners to contribute acreage and jointly drill and develop the Company's Marsh Island Phase I area Eagle's Nest prospect located in Eugene Island Block 6 of the state waters of Louisiana. This prospect is a possible northern extension to the Mary Rose discovery previously announced by Contango. On April 8, 2008, the Company's first well on the prospect was spud. The well will be drilled to a depth of 15,900 feet and, if successful, production will flow through Contango's "H" Platform Facilities in Eugene Island Block 11.

- In March 2008, the Company was the apparent high bidder on the Vermillion #108 block in the OCS. Once this block is awarded by the Mineral Management Service, the total gross acreage held by the Company will be 112,075 acres.

- The seismic data super merge project over Marsh Island which consisted of the reprocessing of two proprietary and two multi-client 3D surveys is now complete. This integrated, improved data will greatly assist with the ongoing exploration in the area.

Oil and Gas Acquisitions

On February 20, 2007, the Company acquired 100% of the membership interests in Summit (the "Summit Acquisition") and Summit became a wholly-owned subsidiary of the Company. 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. The acquisition costs for this operating company totaled $45,847,000.

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

Also in February 2007, the Company closed on the purchase of an additional 17.4175% participating interest in the Phase I Area of the Marsh Island project bringing its total working interest to 35.5809% and its net revenue interest to 25.2124%. The acquisition costs totaled $28,601,000.

Selected Quarterly Information

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

($000s, except per share data)	Mar 31 2008	Dec 31 2007	Sep 30 2007	Jun 30 2007	Mar 31 2007
Revenue - oil & gas sales, net	$965	$1,181	$1,077	$299	$172
Net income (loss)	($3,947)	($46,870)	($13,292)	$6,025	($4,335)
Net (loss) per share - basic	($0.01)	($0.15)	($0.04)	$0.02	($0.02)
Net (loss) per share - diluted	($0.01)	($0.15)	($0.04)	$0.02	($0.02)
Exploration & development expenditures	$2,721	$28,127	$8,631	$4,189	$57,248
Total assets	$152,988	$166,841	$221,632	$228,730	$186,398
Working capital surplus	$76,465	$80,120	$99,432	$117,577	$114,796
Shareholders' equity	$147,857	$151,665	$198,344	$211,542	$180,698
Common shares outstanding	308,756	308,256	308,256	308,256	298,056

Prior to December 31, 2006, the Company was a mineral exploration company and had limited operational activities. During the first three months of 2007, 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.

The Company follows the successful efforts method of accounting for its oil and gas properties.

Production

	For the Quarter Ended				
	Mar 31 2008	Dec. 31 2007	Sep. 30 2007	Jun 30 2007	Mar 31 2007
Oil & gas sales, net ($000's)	$ 965	$ 1,181	$ 1,077	$ 299	$ 172
Oil (net bopd)	30	32	24	16	16
Natural gas (net mcf/d)	835	1,572	1,457	499	211
Total (net mcfe/d)*	1,016	1,766	1,601	593	306
Oil - average selling price per bbl	$ 91.52	$ 91.52	$ 77.37	$ 66.79	$ 60.73
Gas - average selling price per mcf	$ 9.13	$ 6.16	$ 5.85	$ 7.05	$ 7.66

* Production information is commonly reported in units of barrel of oil equivalent ("boe"), or if primarily a producer of natural gas in units of thousand cubic feet equivalent ("mcfe"), which may be misleading, particularly if used in isolation. For purposes of computing such units, thousand cubic feet of natural gas equivalent units have been calculated using an energy equivalence conversion rate of six thousand cubic feet of natural gas to one barrel of oil (6:1). The conversion ratio of 6:1 is based on an

energy equivalency conversion method, which is primarily applicable at the burner tip and does not represent value equivalence at the wellhead.

On June 8, 2007, the Company commenced its first production on its Greylock well, located within the Marsh Island Project Area. The well is currently producing at 350 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 currently producing at a combined rate of 65 mcf/d for a total field production of 415 mcf/d on a net revenue interest basis.

During the three month period ended March 31, 2008, daily production from the Company's Greylock well was down by 50% from the previous quarter which was consistent with the projected production over the remaining life of the well. Currently, proved reserves from Greylock are projected to be depleted during the third quarter of 2008.

In addition to the production associated with the Eugene Island Block 7 facility, the Company's interest in its Jefferson Island wells produced 280 mcfe/d on a net revenue basis.

Results of Operations

	For the Quarter Ended				
	Mar 31 2008 ($000's)	Dec 31 2007 ($000's)	Sep 30 2007 ($000's)	Jun 30 2007 ($000's)	Mar 31 2007 ($000's)
Oil and gas sales	1,293	1,614	1,414	432	201
Royalties	(328)	(433)	(337)	(133)	(29)
Oil and gas sales, net	965	1,181	1,077	299	172
Operating	(466)	(397)	(351)	(152)	(45)
Exploration	(2,721)	(1,916)	(525)	(1,530)	(845)
Dry hole	-	(35,753)	(9,397)	-	-
Impairment of properties	-	(11,333)	(10,998)	-	(1,603)
Accretion	(13)	(11)	(13)	(13)	-
Depletion, depreciation and amortization	(430)	(2,248)	(759)	(174)	(78)
General and administrative	(928)	(3)	(888)	(1,687)	(457)
Stock-based compensation	(89)	(191)	(91)	(37)	(1,904)
Foreign exchange gain (loss)	(1,079)	2,627	7,264	8,125	-
Interest income	814	1,174	1,389	1,194	425
Net income (loss)	(3,947)	(46,870)	(13,292)	6,025	(4,335)

The Company had a consolidated net loss of $3,947,000 for the three months ended March 31, 2008 compared to a net loss of $4,335,000 for the comparable period in the prior year.

The production volume and proven reserve base at this early stage of exploration result in higher costs per mcfe than would be the case for a later stage exploration company, particularly operating and general and administrative costs.

The various income and expenses categories are explained below in more detail.

Oil and Gas Sales

The Company had oil and gas sales, net of royalties, of $965,000 and $172,000 for the three months ended March 31, 2008 and 2007, respectively. The increase in oil and gas sales compared to the prior year is primarily due to the gas production as a result of the Greylock well commencing production on June 8, 2007.

Operating Costs

The Company had operating costs of $466,000 and $45,000 for the three months ended March 31, 2008 and 2007, respectively. Operating costs during the periods are primarily related to the Company's Greylock and Jefferson Island properties.

Dry Hole Costs

Dry hole costs were $nil for the three months ended March 31, 2008, compared to $nil for the comparable period in the prior year.

Impairment of Properties

Impairment costs were $nil and $1,603,000 for the three months ended March 31, 2008 and 2007, respectively.

Depletion, Depreciation and Amortization

Depletion, depreciation and amortization ("DD&A") was $430,000 and $78,000 for the three months ended March 31, 2008 and 2007, respectively. DD&A primarily results from production in Greylock and Jefferson Island properties.

Stock-Based Compensation

Stock-based compensation was $89,000 and $1,904,000 for the three months ended March 31, 2008 and 2007, respectively. The stock-based compensation expense in 2008 results from the vesting of stock options that were granted in 2007. 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.

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2008 and 2007 were $928,000 and $457,000, respectively.

The general and administrative expenses for the three months ended March 31, 2008 include $208,000 for legal, accounting and audit costs, $348,000 for salaries and benefits, $110,000 for management and consulting fees, and $59,000 for travel and entertainment 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.

Foreign Exchange Gain (Loss)

Foreign exchange loss was $1,079,000 and $nil for the three months ended March 31, 2008 and 2007, respectively. The loss in 2008 results from the strengthening of the United States dollar against the Canadian dollar. There was no foreign exchange gain or loss during the first three months of 2007 due to the Company's reporting currency being the Canadian dollar at that time. The Company changed its reporting currency to the U.S. dollar effective April 1, 2007.

Interest Income

For the three months ended March 31, 2008 and 2007, interest income was $814,000 and $425,000, respectively. Interest income represents bank interest earned on excess cash and investments in government securities.

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, during the first quarter of 2007, includes unrealized foreign currency translation gains and losses.

The Company's operations in the United States are denominated in U.S. dollars and are considered self-sustaining. Effective April 1, 2007, the Company changed its reporting currency from the Canadian dollar to the United States dollar.

As of April 30, 2008, the Company had approximately $30,000,000 Canadian dollars in its cash and investments accounts, with the balance in United States dollars. The Company does not have any exposure to the liquidity crisis involving asset-backed commercial paper.

Financial Condition

At March 31, 2008, the Company had total assets of $152,988,000 compared to $166,841,000 at December 31, 2007.

Liquidity and Capital Resources

Working capital at March 31, 2008, totaled $76,465,000, compared to $80,120,000 at December 31, 2007.

Funds used by operations were $12,026,000 for the three months ended March 31, 2008 compared to funds provided by operations of $2,600,000 for the prior year three month period. The primary use of the funds during the first quarter of 2008 was to pay down trade payables.

Net cash provided from financing activities for the three months ended March 31, 2008 was $50,000, compared to $166,749,000 for the comparable period in 2007. 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 provided by investing activities was $7,552,000 for the three months ended March 31, 2008, compared to funds used in investing activities of $57,248,000 for the comparable period in 2007. During the three months ended March 31, 2007, the Company used cash to add to its oil and gas operations through the acquisition of leases and exploration and development activities.

Contributed surplus increased $75,000 for the three month period ended March 31, 2008. The increase is due to stock-based compensation for the year offset by the exercise of warrants. When options are granted, the Black-Scholes option value method is used to calculate a value for the stock options. The offset to the amount that is recorded as stock compensation expense is a credit to contributed surplus. When the options are exercised, the applicable amounts of contributed surplus are transferred to share capital. During the three month period ended March 31, 2007, 750,000 stock options were exercised. No other stock options were exercised during 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. Notwithstanding that the Company has sufficient financial resources to fund operations through the 2008 fiscal year, continuing operations are dependent on discovery of economic oil and gas reserves and ultimately on the attainment of profitable operations.

Financial Instruments

The carrying amounts of financial instruments comprising cash, cash equivalents, accounts receivable, accounts payable, accrued expenses and advances from joint interest holders approximate their fair value due to the immediate or short-term nature of these financial instruments.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Outstanding Share Data

As of May 5, 2008, the Company had 308,756,088 shares outstanding, 6,810,000 stock options outstanding under its stock-based compensation plan and zero warrants outstanding.

Related Party Transactions

Namdo Management Services Ltd. (Namdo) provides administrative support to the Company under an agreement which commenced April 1, 2007. The amount paid to Namdo was $66,000 and $nil during the three months ended March 31, 2008 and 2007, respectively. Namdo is a private corporation owned by a shareholder of the Company.

During the three months ended March 31, 2008 and 2007, the Company incurred legal fees of $4,000 and $nil, respectively, with a law firm in which an officer of the Company is a partner.

During the three months ended March 31, 2008 and 2007, the Company incurred geological and geophysical (G&G) costs of $122,000 and $nil, respectively, with a G&G firm in which an officer of the Company is a managing partner.

Accounting Policies and Critical Accounting Estimates

<u>Use of Estimates</u>

The consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada. In preparing financial statements, management makes informed judgments and estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements and affect the reported amounts of revenues and expenses during the reported period. Specifically, estimates were utilized in calculating depletion, asset retirement obligations, stock-based compensation, amortization and impairment write-downs. Actual results could differ from these estimates and the differences could be material.

<u>Accounting for Oil and Gas Operations</u>

Due to the Company’s transition into the oil and gas exploration and development industry, effective in 2007, the Company has followed the successful efforts method of accounting for its oil and gas operations. Under this method acquisition costs of oil and gas properties, costs to drill and equip exploratory wells that find proved reserves and costs of drilling and equipping development wells are capitalized and subject to annual impairment testing.

Exploration well costs are initially capitalized and, if subsequently determined to have not found sufficient reserves to justify commercial production, are charged to exploration expense. Exploration well costs that have found sufficient reserves to justify commercial production, but whose reserves cannot be classified as proved, continue to be capitalized as long as sufficient progress is being made to assess the reserves and economic viability of the well and or related project. All other exploration costs, including geological and geophysical costs, are charged to exploration expense when incurred.

Capitalized costs of proved oil and gas properties are depleted using the unit of production method based on estimated gross proved reserves of petroleum and natural gas as determined by independent engineers. Successful exploratory wells and development costs and acquired resource properties are depleted over proved developed reserves. Acquisition costs of unproved reserves are not depleted or amortized while under active evaluation for commercial reserves.

Costs associated with significant development projects are depleted once commercial production commences.

A revision to the estimate of proved reserves can have a significant impact on earnings as they are a key component in the calculation of depreciation, depletion and accretion.

Producing properties and significant unproved properties are assessed annually, or more frequently as economic events dictate, for potential impairment. The impairment test is initially based on undiscounted future cash flows from proved and risk adjusted probable reserves. If an impairment is identified, fair value is calculated as the present value of estimated expected discounted cash flows from proved and risk-adjusted probable reserves. Any impairment loss is the difference between the carrying value of the oil and gas property and its fair value. If it is determined that the estimated fair value is less than the net carrying amount, a write-down to the oil and gas property's fair value is recognized during the period, with a charge to earnings.

Estimates of future cash flows used in the evaluation of impairment of assets are performed based on risk assessments on field and reservoir performance and include judgment assumptions regarding commodity prices, discount rates and future costs.

A substantial portion of the Company's exploration and development activities are conducted jointly with others. The financial statements reflect only the Company's proportionate interests in such activities.

The Company engaged Netherland, Sewell and Associates, Inc., an independent geoscience consultancy firm, to evaluate 100% of the Company's proved and probable oil and gas reserves at December 31, 2007. The estimation of reserves is subjective. Forecasts are based on engineering data, future prices, expected future rates of production and the timing of capital expenditures, all of which are subject to uncertainties and interpretations. Reserves will be revised upward or downward based on the results of future drilling, testing and production levels.

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 currently utilize derivative instruments to hedge its foreign currency exchange or interest rate risks.

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 plans on drilling up to twelve wells during the remainder of 2008.

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.
Consolidated Balance Sheets
Expressed in United States Dollars
(unaudited)

	March 31, 2008	December 31, 2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 54,151,000	$ 58,575,000
Investments	24,248,000	32,056,000
Accounts receivable	1,722,000	3,109,000
Prepaid expenses	535,000	629,000
	80,656,000	94,369,000
Petroleum and natural gas properties	76,021,000	75,731,000
Accumulated depletion, depreciation & amortization	(3,689,000)	(3,259,000)
Net properties	72,332,000	72,472,000
	$ 152,988,000	$ 166,841,000
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	$ 2,797,000	$ 12,868,000
Advances from joint interest holders	373,000	394,000
Asset retirement obligation	1,021,000	987,000
	4,191,000	14,249,000
Asset retirement obligation	940,000	927,000
	5,131,000	15,176,000
SHAREHOLDERS' EQUITY		
Share capital	250,899,000	250,835,000
Contributed surplus	2,312,000	2,237,000
Accumulated other comprehensive income	3,282,000	3,282,000
Deficit	(108,636,000)	(104,689,000)
	147,857,000	151,665,000
Commitments		
	$ 152,988,000	$ 166,841,000

See accompanying notes to consolidated financial statements.

BAYOU BEND PETROLEUM LTD.
Consolidated Statements of Operations and Deficit
For the Three Months Ended March 31, 2008 and 2007
Expressed in United States Dollars
(unaudited)

	2008	2007
Revenues		
Oil and gas sales	$ 1,293,000	$ 201,000
Royalties	(328,000)	(29,000)
	965,000	172,000
Expenses		
Operating	466,000	45,000
Exploration	2,721,000	845,000
Dry hole costs	-	-
Impairment of properties	-	1,603,000
Accretion	13,000	-
Depletion, depreciation and amortization	430,000	78,000
General and administrative	928,000	457,000
Stock-based compensation	89,000	1,904,000
Foreign exchange loss	1,079,000	-
	5,726,000	4,932,000
Other income (expense)		
Interest income	814,000	425,000
	814,000	425,000
Net loss	(3,947,000)	(4,335,000)
Deficit, beginning of period	(104,689,000)	(46,217,000)
Deficit, end of period	$ (108,636,000)	$ (50,552,000)
Basic loss per share	$ (0.01)	$ (0.02)
Diluted loss per share	$ (0.01)	$ (0.02)
Weighted average number of common shares used in computing earnings per share:		
Basic	308,712,132	189,923,113
Diluted	308,712,132	189,923,113

See accompanying notes to consolidated financial statements.

BAYOU BEND PETROLEUM LTD.
Consolidated Statements of Other Comprehensive Income
For the Three Months Ended March 31, 2008 and 2007
Expressed in United States Dollars
(unaudited)

	2008	2007
Net loss for the period	$ (3,947,000)	$ (4,335,000)
Other comprehensive income:		
Unrealized gains on adoption of U.S. functional currency	-	3,284,000
Comprehensive loss for the period	$ (3,947,000)	$ (1,051,000)

See accompanying notes to consolidated financial statements.

BAYOU BEND PETROLEUM LTD.
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2008 and 2007
Expressed in United States Dollars
(unaudited)

	2008	2007
Operating activities		
Net loss	$ (3,947,000)	$ (4,335,000)
Adjustments for non-cash and non-operating transactions:		
Depletion, depreciation and amortization	430,000	78,000
Impairment of properties	-	1,603,000
Dry hole costs	-	-
Accretion	13,000	-
Stock-based compensation	89,000	1,904,000
Changes in non-cash operating working capital:		
Accounts receivable	1,387,000	(717,000)
Prepaid expenses	94,000	(1,580,000)
Accounts payable and accrued expenses	(10,071,000)	5,392,000
Advances from joint interest holders	(21,000)	-
Asset retirement obligation	-	255,000
	(12,026,000)	2,600,000
Financing activities		
Issuance of share capital	50,000	166,767,000
Repayment of related party loans	-	(18,000)
	50,000	166,749,000
Investing activities		
Exploration and development expenditures	(256,000)	(57,248,000)
Investments	7,808,000	-
	7,552,000	(57,248,000)
Effect of exchange rate changes in cash	-	3,284,000
Net increase (decrease) in cash and cash equivalents	(4,424,000)	115,385,000
Cash and cash equivalents - beginning of period	58,575,000	2,535,000
Cash and cash equivalents - end of period	$ 54,151,000	$ 117,920,000
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

See accompanying notes to consolidated financial statements.

1. NATURE OF OPERATIONS

Bayou Bend Petroleum 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 United States in the Gulf of Mexico. 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").

Notwithstanding that the Company has sufficient financial resources to fund operations through the 2008 fiscal year, continuing operations are dependent on discovery of economic oil and gas reserves and ultimately on the attainment of profitable operations.

2. SIGNIFICANT ACCOUNTING POLICIES

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.

These interim consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada, using the same accounting policies and methods of computation as set out in note 2 to the audited consolidated financial statements in the Company's Annual Report for the year ended December 31, 2007, except as described in note 3 to these interim consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2007.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the Company adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards have been adopted on a prospective basis.

a) Capital Disclosure (Section 1535)

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards

as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.
The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in the consolidated statements of shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or sell assets to settle liabilities. The Company is not subject to externally imposed capital requirements.

b) Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)

These standards replace CICA 3861, Financial Instruments – Disclosure and Presentation. They increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and marketing risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

i) Disclosures

The Company's financial instruments consist of cash, cash equivalents, investments, accounts receivable, accounts payable, accrued expenses and advances from joint interest holders.

Cash, cash equivalents and investments are designated as held for trading and therefore carried at fair value, with the unrealized gain or loss recorded in interest income.

The fair values of cash, cash equivalents, accounts receivable, accounts payable, accrued expenses and advances from joint interest holders approximate carrying value because of the short-term nature of these instruments. The fair values of investments are determined directly by reference to quoted market prices.

ii) Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk

The Company manages its credit risk through its counterparty ratings and credit limits. The Company is mainly exposed to credit risk on its bank accounts. Bank accounts are with banks that have a minimum credit rating of R-1 (mid) or better (as measured by Dominion Bond Rate Services) or the equivalent thereof according to a recognized bond rating service.

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand.

Market Risk

The significant market risk exposures to which the Company is exposed are foreign currency risk and interest rate risk.

Foreign currency risk – The Company maintains a portion of its cash in Canadian dollars. The Company's operations are conducted in U.S. dollars. The Company's operating results and cash flows are affected to varying degrees by the changes in the Canadian dollar vis-à-vis the U.S. dollar. Company expenditures are incurred predominately in U.S. dollars.

Interest rate risk – The Company's bank accounts earn interest income at variable rates. The Company's future interest income is exposed to changes in short-term rates.

c) Inventories (Section 3031)

This standard prescribes the accounting treatment for inventories. While this standard has been adopted, it has no financial statement impact to the Company.

Expressed in United States Dollars Unless Otherwise Noted

4. COMPREHENSIVE INCOME (LOSS)

The following table reconciles the changes in accumulated other comprehensive income (loss) for the quarters ended March 31, 2008 and 2007.

	For the Quarter Ended March 31	
	2008	2007
Accumulated other comprehensive income (loss), beginning of period	$ 3,282,000	$ (2,000)
Other comprehensive income:		
Unrealized gains on adoption of U.S. functional currency	$ -	$ 3,284,000
Accumulated other comprehensive income, end of period	$ 3,282,000	$ 3,282,000

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 Marsh Island in the Gulf of Mexico, together with an 18.1634% interest in a 40 million cubic feet of gas per day (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.

In February 2007, 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 8(a) to the audited annual consolidated financial statements, the Company issued 2.2 million common shares as a finders' fee to third parties. An additional 5 million common shares were issued under the terms of certain assignment agreements pursuant to which the Company was granted the opportunity to acquire Summit. The deemed value of the 7.2 million shares issued was $8,661,000.

Expressed in United States Dollars Unless Otherwise Noted

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	2,707,000
Asset retirement obligation	(1,163,000)
	$ 65,425,000

On May 8, 2007, the Company closed on the acquisition of the Gulf of Mexico Assets from Pearl Exploration and Production Ltd., an affiliated company. The Gulf of Mexico Assets were acquired in exchange for 10 million common shares with a deemed value of $24,764,000.

6. INVESTMENTS

Investments at March 31, 2008 consist of the following.

	March 31, 2008	
	Par Value	Market Value
Federal Home Loan Bank Notes	$ 21,335,000	21,392,000
Federal National Mortgage Association Notes	2,025,000	2,030,000
Federal Home Loan Mortgage Corporation Notes	750,000	751,000
Bank Certificate of Deposit	75,000	75,000
	$ 24,185,000	24,248,000

With the exception of the bank certificate of deposit, all of the above investments mature prior to June 30, 2008, are readily marketable and are guaranteed by the United States Federal Government.

7. PETROLEUM AND NATURAL GAS PROPERTIES

	March 31, 2008		
	Cost	**Accumulated Depletion**	**Net**
Petroleum and natural gas	$ 75,866,000	$ (3,669,000)	$ 72,197,000
Office equipment	155,000	(20,000)	$ 135,000
	$ 76,021,000	$ (3,689,000)	$ 72,332,000

Expressed in United States Dollars Unless Otherwise Noted

8. 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 - December 31, 2007	308,256,088	$ 250,835,000	$ 2,237,000
Issued for cash:			
- warrants exercised	500,000	50,000	
- fair value portion of warrants exercised		14,000	(14,000)
Issued during the period:			
- stock options granted			89,000
Balance - March 31, 2008	308,756,088	$ 250,899,000	$ 2,312,000

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 Cdn $0.10 per share.

No options were granted under the plan during the three month period ended March 31, 2008. The number of outstanding options at March 31, 2008 was 3,215,000 at a weighted average exercise price of Cdn $1.37 per share.

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 ratably over the vesting periods. The stock option compensation expense is calculated using the Black-Scholes Option Pricing Model.

Expressed in United States Dollars Unless Otherwise Noted

Stock option compensation expense for the three months ended March 31, 2008 was $89,000.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

c) Warrants

As of December 31, 2007, the Company had share purchase warrants outstanding to purchase 500,000 shares at Cdn $0.10 per share, exercisable by January 9, 2008. All of these warrants were exercised on January 8, 2008. At March 31, 2008, the Company had no warrants outstanding.

9. ASSET RETIREMENT OBLIGATION

The total future asset retirement obligation was estimated based on the Company's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. At December 31, 2007, the total undiscounted amount of the estimated cash flows required to settle the asset retirement obligations was approximately $2,300,000, which will be incurred over the next 20 years with 60% of the costs incurred between 2008 and 2012.

10. INCOME TAXES

At December 31, 2007, the Company has available to carryforward the following:

		December 31, 2007
Canadian losses from operations	$	796,000
Canadian exploration expenses		3,240,000
Canadian unamortized share issue costs		7,460,000
U.S. Federal losses from operations		53,349,000
U.S. Federal - tax basis over carrying values of properties		22,846,000

The Canadian losses from operations may be used to offset future Canadian taxable income and will expire over the period from 2010 to 2026. The Canadian exploration expenses may be carried forward indefinitely to offset future taxable Canadian income. Canadian unamortized share issue costs may offset future taxable Canadian income of years 2008 to 2011. The U.S. Federal losses are available to offset future taxable income in the United States through 2027.

11. SIGNIFICANT CUSTOMERS

The Company has oil and natural gas sales to significant customers accounting for 68% and 29% of total oil and natural gas revenues for the three months ended March 31, 2008. For the three months ended March 31, 2007, oil and natural gas sales to significant customers accounted for 82% and 16% of revenues.

12. RELATED PARTY TRANSACTIONS

Namdo Management Services Ltd. (Namdo) provides administrative support to the Company under an agreement which commenced April 1, 2007. The amount paid to Namdo during the three months ended March 31, 2008 and 2007 was $66,000 and $nil, respectively. Namdo is a private corporation owned by a shareholder of the Company.

During the three months ended March 31, 2008 and 2007, the Company incurred legal fees of $4,000 and $nil, respectively, with a law firm in which an officer of the Company is a partner.

The Company incurred geological and geophysical (G&G) costs of $122,000 and $nil, respectively, during the three months ended March 31, 2008 and 2007 with a G&G firm in which an officer of the Company is a managing partner.

13. COMMITMENTS

The Company enters into commitments and contractual obligations in the normal course of business, including the purchase of services, farm-in agreements, seismic data acquisition agreements and lease agreements. The Company has agreed to purchase seismic data totaling $3,059,000 during the remainder of 2008.

14. SUBSEQUENT EVENT

In April 2008, the Company granted 3,595,000 stock options to employees, directors and consultants at an exercise price of Cdn $0.48, vesting over two years and expiring in three years.

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