



**BAYOU BEND PETROLEUM LTD.**

Consolidated Financial Statements

First Quarter Report

For The

Three Months Ended March 31, 2009

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

**BAYOU BEND PETROLEUM LTD.****Consolidated Balance Sheets***Expressed in Thousands of United States Dollars***(unaudited)**

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 41,225	\$ 45,282
Investments	79	79
Accounts receivable	2,379	1,912
Prepaid expenses	1,284	1,546
	<u>44,967</u>	<u>48,819</u>
Assets held for sale:		
Petroleum and natural gas properties	20,375	19,946
Accumulated depletion, depreciation & amortization	(5,602)	(5,171)
Net properties	<u>14,773</u>	<u>14,775</u>
	<u>\$ 59,740</u>	<u>\$ 63,594</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 5,400	\$ 5,636
Advances from joint interest holders	233	231
Asset retirement obligation (ARO)	1,632	1,000
Current ARO related to assets held for sale	157	357
	<u>7,422</u>	<u>7,224</u>
ARO related to assets held for sale	1,910	1,904
	<u>9,332</u>	<u>9,128</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	250,899	250,899
Contributed surplus	3,024	3,024
Accumulated other comprehensive income	3,282	3,282
Deficit	(206,797)	(202,739)
	<u>50,408</u>	<u>54,466</u>
	<u>\$ 59,740</u>	<u>\$ 63,594</u>

Subsequent event (note 9)

See accompanying notes to consolidated financial statements.

**BAYOU BEND PETROLEUM LTD.**  
**Consolidated Statements of Operations, Other Comprehensive Loss and Deficit**  
**For the Three Months Ended March 31, 2009 and 2008**

*Expressed in Thousands of United States Dollars*

**(unaudited)**

	2009	2008
<b>Revenues, from assets held for sale</b>		
Oil and gas sales	\$ 899	\$ 1,293
Royalties	(184)	(328)
	715	965
<b>Expenses, from assets held for sale</b>		
Operating	591	466
Exploration	755	2,721
Dry hole costs	6	-
Impairment of properties	15	-
Accretion	12	13
Depletion, depreciation and amortization	431	430
General and administrative	1,646	928
Stock-based compensation	-	89
Foreign exchange loss	1,446	1,079
	4,902	5,726
<b>Other income (expense)</b>		
Interest income	129	814
	129	814
<b>Net loss and other comprehensive loss</b>	(4,058)	(3,947)
<b>Deficit, beginning of period</b>	(202,739)	(104,689)
<b>Deficit, end of period</b>	\$ (206,797)	\$ (108,636)
Basic loss per share	\$ (0.01)	\$ (0.01)
Diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares used in computing earnings per share:		
Basic	308,712,132	308,712,132
Diluted	308,712,132	308,712,132

See accompanying notes to consolidated financial statements.

**BAYOU BEND PETROLEUM LTD.**  
**Consolidated Statements of Cash Flows**  
**For the Three Months Ended March 31, 2009 and 2008**  
*Expressed in Thousands of United States Dollars*  
**(unaudited)**

	<b>2009</b>	<b>2008</b>
<b>Operating activities</b>		
Net loss	\$ (4,058)	\$ (3,947)
Adjustments for non-cash and non-operating transactions:		
Depletion, depreciation and amortization	431	430
Impairment of properties	15	-
Dry hole costs	6	-
Accretion	12	13
Stock-based compensation	-	89
Changes in non-cash operating working capital:		
Accounts receivable	(467)	1,387
Prepaid expenses	262	94
Accounts payable and accrued expenses	(236)	(10,071)
Advances from joint interest holders	2	(21)
Asset retirement obligation	1,426	-
	(2,607)	(12,026)
<b>Financing activities</b>		
Issuance of share capital	-	50
Repayment of related party loans	-	-
	-	50
<b>Investing activities</b>		
Exploration and development expenditures	(450)	(256)
Investments	-	7,808
	(450)	7,552
Effect of exchange rate changes in cash	-	-
<b>Net increase (decrease) in cash and cash equivalents</b>	(3,057)	(4,424)
<b>Cash and cash equivalents - beginning of period</b>	45,282	58,575
<b>Cash and cash equivalents - end of period</b>	\$ 42,225	\$ 54,151

See accompanying notes to consolidated financial statements.

**BAYOU BEND PETROLEUM LTD.**  
**Notes to the Consolidated Financial Statements**  
*Expressed in United States Dollars Unless Otherwise Noted*  
*(Tabular Amounts in Thousands, except Share and Per Share Amounts)*

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”.

Notwithstanding that the Company has sufficient financial resources to fund operations through the 2009 fiscal year, continuing operations are dependent on discovery of economic oil and gas reserves and ultimately on the attainment of profitable operations. (See Note 9, Subsequent Event.)

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, 2008. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2008.

3. COMPREHENSIVE INCOME (LOSS)

The following table reconciles the changes in accumulated other comprehensive income (loss) for the quarters ended March 31, 2009 and 2008.

	<u>For the Quarter Ended March 31</u>	
	<u>2009</u>	<u>2008</u>
Accumulated other comprehensive income (loss), beginning of period	\$ 3,282	\$ 3,282
Other comprehensive income	\$ -	\$ -
Accumulated other comprehensive income, end of period	<u>\$ 3,282</u>	<u>\$ 3,282</u>

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4. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

As described in Note 9, SUBSEQUENT EVENT, in February 2009, the Company decided to seek a buyer for substantially all of the Company's oil and gas properties. In accordance with Canadian GAAP, the Company has recorded these long-lived assets at the lesser of their carrying amount or fair value less cost to sell.

	March 31, 2009		
	Cost	Accumulated Depletion	Net
Petroleum and natural gas	\$ 20,146	\$ (5,523)	\$ 14,623
Office equipment	229	(79)	\$ 150
	\$ 20,375	\$ (5,602)	\$ 14,773

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

Producing properties include Eagle's Nest, Mt. Moran North, Greylock, Eugene Island Block 7 and the Jefferson Island properties.

With the exception of interest income, all revenues and expenses on the consolidated statements of operations are related to the assets held for sale.

5. 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, 2008	308,256,088	\$ 250,899	\$ 3,024
Balance - March 31, 2009	308,256,088	\$ 250,899	\$ 3,024

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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. All issued stock options have terms of three to five years and vest over periods of up to three years. 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.

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

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding at December 31, 2008	6,620,000	Cdn \$0.90
Granted	-	-
Expired	-	-
Cancelled/Forfeited	(2,685,000)	Cdn \$0.92
Outstanding at March 31, 2009	<u>3,935,000</u>	<u>Cdn \$0.88</u>

At March 31, 2009, 2,251,663 options are exercisable at an average exercise price of Cdn \$1.18 per share with a weighted average remaining life of 2.0 years.

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.

Stock option compensation expense for the three months ended March 31, 2009 and 2008, was \$Nil and \$89,000, respectively.

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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

At March 31, 2009, the Company had no warrants outstanding.

6. INCOME TAXES

At December 31, 2008, the Company has available to carryforward the following:

	<u>December 31,</u> <u>2008</u>
Canadian losses from operations	\$ 1,527
Canadian exploration expenses	2,636
Canadian unamortized share issue costs	4,545
U.S. Federal losses from operations	67,565
U.S. Federal - tax basis over carrying values of properties	101,556

The Canadian losses from operations may be used to offset future Canadian taxable income and will expire over the period from 2014 to 2028. 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 2009 to 2011. The U.S. Federal losses are available to offset future taxable income in the United States through 2028.

7. SIGNIFICANT CUSTOMERS

The Company has oil and natural gas sales to significant customers accounting for 74%, 9% and 13% of total oil and natural gas revenues for the three months ended March 31, 2009. For the three months ended March 31, 2008, oil and natural gas sales to significant customers accounted for 0%, 68% and 29% of revenues.

8. RELATED PARTY TRANSACTIONS

Namdo Management Services Ltd. (Namdo) provides administrative support to the Company. The amount paid to Namdo during the three months ended March 31,



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2009 and 2008 was \$34,000 and \$66,000, respectively. Namdo is a private corporation owned by a shareholder of the Company.

During the three months ended March 31, 2009 and 2008, the Company incurred legal fees of \$37,000 and \$4,000, 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 \$nil and \$122,000, respectively, during the three months ended March 31, 2009 and 2008 with a G&G firm in which an officer of the Company is a managing partner.

9. SUBSEQUENT EVENT

In February 2009, the Company decided to sell its Gulf of Mexico properties and entered into a Letter of Intent with a third party. On April 16, 2009, the Company entered into a definitive purchase and sale agreement with a third party to sell substantially all of its oil and gas properties, including related asset retirement obligations, for \$12,500,000 in cash and a deferred, contingent payment of up to \$8,000,000 based on proved reserves, as defined, at December 31, 2010. The transaction is expected to close prior to the end of May 2009.

**BAYOU BEND PETROLEUM LTD.**

<b>DIRECTORS</b>
<p><b>Brian D. Edgar</b> Director Vancouver, British Columbia</p>
<p><b>Gary S. Guidry</b> Director Calgary, Alberta</p>
<p><b>Keith C. Hill</b> Director Vancouver, British Columbia</p>
<p><b>John Zaozirny</b> Director Calgary, Alberta</p>
<b>OFFICERS</b>
<p><b>Keith C. Hill</b> Chairman &amp; President Vancouver, British Columbia</p>
<p><b>William D. Hoffman</b> Chief Financial Officer New Orleans, Louisiana</p>
<p><b>Kevin E. Hisko</b> Corporate Secretary Vancouver, British Columbia</p>
<p><b>William R. Sack</b> Senior Vice President Exploration Lafayette, Louisiana</p>
<p><b>T. Rodney Dykes</b> Senior Vice President Operations New Orleans, Louisiana</p>

<b>CORPORATE INFORMATION</b>
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<p><b>BANKER</b> HSBC Bank Canada Vancouver, British Columbia</p>
<p><b>AUDITOR</b> KPMG Vancouver, British Columbia</p>
<p><b>TRANSFER AGENT</b> Computershare Trust Company of Canada Vancouver, British Columbia</p>
<p><b>STOCK EXCHANGE LISTING</b> TSX Venture Exchange Trading Symbol: BBP</p>
<p><b>INVESTOR RELATIONS</b> Sophia Shane Vancouver, British Columbia</p>