



BAYOU BEND PETROLEUM LTD.

Consolidated Financial Statements

Second Quarter Report

For The

Six Months Ended June 30, 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>June 30, 2009</u>	<u>December 31, 2008</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 55,866	\$ 45,282
Investments	79	79
Accounts receivable	881	1,912
Prepaid expenses	637	1,546
	<u>57,463</u>	<u>48,819</u>
Assets held for sale:		
Petroleum and natural gas properties	-	19,946
Accumulated depletion, depreciation & amortization	-	(5,171)
Net properties	<u>-</u>	<u>14,775</u>
	<u>\$ 57,463</u>	<u>\$ 63,594</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,104	\$ 5,636
Advances from joint interest holders	-	231
Asset retirement obligation (ARO)	1,001	1,000
Current ARO related to assets held for sale	-	357
	<u>3,105</u>	<u>7,224</u>
Asset Retirement Obligation	<u>350</u>	<u>1,904</u>
	3,455	9,128
SHAREHOLDERS' EQUITY		
Share capital	250,959	250,899
Contributed surplus	3,002	3,024
Accumulated other comprehensive income	3,282	3,282
Deficit	(203,235)	(202,739)
	<u>54,008</u>	<u>54,466</u>
	<u>\$ 57,463</u>	<u>\$ 63,594</u>

See accompanying notes to consolidated financial statements.

BAYOU BEND PETROLEUM LTD.
Consolidated Statements of Operations, Other Comprehensive Loss and Deficit
Expressed in Thousands of United States Dollars except Per Share Amounts
(unaudited)

	For the three months ended		For the six months ended	
	June 30		June 30	
	2009	2008	2009	2008
Revenues, from assets held for sale				
Oil and gas sales	\$ 1,190	\$ 1,121	\$ 2,089	\$ 2,414
Royalties	(247)	(323)	(431)	(651)
	943	798	1,658	1,763
Expenses from assets held for sale				
Operating	183	230	774	696
Exploration	55	2,102	810	4,823
Dry hole costs	15	3,257	21	3,257
Impairment of properties	23	-	38	-
Accretion	-	15	12	28
Depletion, depreciation and amortization	16	525	447	955
General and administrative	1,051	943	2,697	1,871
Stock-based compensation	81	496	81	585
Foreign exchange (gain) loss	(2,214)	(450)	(768)	629
Gain on sale of assets	(1,777)	-	(1,777)	-
	(2,567)	7,118	2,335	12,844
Other income				
Interest income	52	527	181	1,341
	52	527	181	1,341
Net income (loss) and other comprehensive income (loss)	3,562	(5,793)	(496)	(9,740)
Deficit, beginning of period	(206,797)	(108,636)	(202,739)	(104,689)
Deficit, end of period	\$ (203,235)	\$ (114,429)	\$ (203,235)	\$ (114,429)
Basic income (loss) per share	\$ 0.01	\$ (0.02)	\$ (0.00)	\$ (0.03)
Diluted income (loss) per share	\$ 0.01	\$ (0.02)	\$ (0.00)	\$ (0.03)
Weighted average number of common shares used in computing earnings per share (in thousands):				
Basic	308,758	308,756	308,757	308,734
Diluted	308,758	308,756	308,757	308,734

See accompanying notes to consolidated financial statements.

BAYOU BEND PETROLEUM LTD.
Consolidated Statements of Cash Flows
Expressed in Thousands of United States Dollars
(unaudited)

	For the three months ended		For the six months ended	
	June 30		June 30	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Operating activities				
Net income (loss)	\$ 3,562	\$ (5,793)	\$ (496)	\$ (9,740)
Adjustments for non-cash and non-operating transactions:				
Depletion, depreciation and amortization	16	525	447	955
Impairment of properties	23	-	38	-
Dry hole costs	15	3,257	21	3,257
Accretion	-	15	12	28
Stock-based compensation	81	496	81	585
Gain on sale of assets	(1,777)	-	(1,777)	-
Changes in non-cash operating working capital:				
Accounts receivable	1,498	(2,247)	1,031	(860)
Prepaid expenses	647	385	909	479
Accounts payable and accrued expenses	(1,948)	(1,493)	(3,182)	(11,564)
Advances from joint interest holders	-	1,121	-	1,100
Asset retirement obligation	-	146	1,426	180
	<u>2,117</u>	<u>(3,588)</u>	<u>(1,490)</u>	<u>(15,580)</u>
Financing activities				
Issuance of share capital	<u>37</u>	<u>-</u>	<u>37</u>	<u>50</u>
	<u>37</u>	<u>-</u>	<u>37</u>	<u>50</u>
Investing activities				
Exploration and development expenditures	-	(5,442)	(450)	(5,732)
Proceeds from sale of assets	12,487	-	12,487	-
Investments, net	-	(5,398)	-	2,410
	<u>12,487</u>	<u>(10,840)</u>	<u>12,037</u>	<u>(3,322)</u>
Net increase (decrease) in cash and cash equivalents	<u>14,641</u>	<u>(14,428)</u>	<u>10,584</u>	<u>(18,852)</u>
Cash and cash equivalents - beginning of period	<u>41,225</u>	<u>54,151</u>	<u>45,282</u>	<u>58,575</u>
Cash and cash equivalents - end of period	<u>\$ 55,866</u>	<u>\$ 39,723</u>	<u>\$ 55,866</u>	<u>\$ 39,723</u>

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. Prior to May 28, 2009, the Company was 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 May 28, 2009, the Company sold substantially all of its oil and gas properties located in the United States in the Gulf of Mexico to a third party (See Note 4, Discontinued Operations and Sale of Assets). The Company is currently exploring several potential projects within the resource industry.

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. Certain disclosures, which are normally required to be included in the notes to annual financial statements, have been condensed or omitted. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2008.

BAYOU BEND PETROLEUM LTD.
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3. COMPREHENSIVE INCOME

The following table reconciles the changes in accumulated other comprehensive income for the three and six months ended June 30, 2009 and 2008.

	For the Three Months		For the Six Months	
	Ended June 30		Ended June 30	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Accumulated other comprehensive income, beginning of period	\$ 3,282	\$ 3,282	\$ 3,282	\$ 3,282
Other comprehensive income	-	-	-	-
Accumulated other comprehensive income, end of period	<u>\$ 3,282</u>	<u>\$ 3,282</u>	<u>\$ 3,282</u>	<u>\$ 3,282</u>

4. DISCONTINUED OPERATIONS AND SALE OF ASSETS

On May 28, 2009, the Company sold substantially all of its oil and gas properties located in the United States in the Gulf of Mexico to a third party. The remaining oil and gas properties retained by the Company are carried at zero costs.

	June 30, 2009		
	Cost	Accumulated Depletion	Net
Petroleum and natural gas	\$ -	\$ -	\$ -
Office equipment	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	December 31, 2008		
	Cost	Accumulated Depletion	Net
Petroleum and natural gas	\$ 19,717	\$ (5,108)	\$ 14,609
Office equipment	229	(63)	166
	<u>\$ 19,946</u>	<u>\$ (5,171)</u>	<u>\$ 14,775</u>

The primary sale of its oil and gas properties, including related asset retirement obligations, was 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 sale resulted in a gain of \$1,777,000 being recorded in the financial statements in 2009.

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

5. SHARE CAPITAL

a) Details are as follows:

	<u>Number of Shares</u>		<u>Share Capital</u>		<u>Contributed Surplus</u>
Authorized:					
Unlimited common shares without par value					
Issued and fully paid:					
Balance - December 31, 2008	308,756,088	\$	250,899	\$	3,024
Stock options exercised	90,000		60		(22)
Balance - June 30, 2009	<u>308,846,088</u>	<u>\$</u>	<u>250,959</u>	<u>\$</u>	<u>3,002</u>

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.

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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	-	-
Exercised	(90,000)	Cdn \$0.48
Cancelled/Forfeited	(3,405,000)	Cdn \$0.89
Outstanding at June 30, 2009	<u>3,125,000</u>	<u>Cdn \$0.92</u>

At June 30, 2009, 2,680,002 options are exercisable at an average exercise price of Cdn \$0.99 per share with a weighted average remaining life of 1.8 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 June 30, 2009 and 2008 was \$81,000 and \$496,000, respectively. Stock option compensation expense for the six months ended June 30, 2009 and 2008 was \$81,000 and \$585,000, 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

At June 30, 2009, the Company had no warrants outstanding.

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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 six months ended June 30, 2009. For the six months ended June 30, 2008, oil and natural gas sales to significant customers accounted for 0%, 61% and 37% 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 and six months ended June 30, 2009 was \$81,000 and \$115,000, respectively. The comparable amounts in 2008 were \$59,000 and \$125,000, respectively. Namdo is a private corporation owned by a shareholder of the Company.

During the three and six months ended June 30, 2009, the Company incurred legal fees of \$32,000 and \$69,000, respectively, with a law firm in which an officer of the Company is a partner. The comparable amounts in 2008 were \$4,000 and \$8,000, respectively.

The Company incurred geological and geophysical (G&G) costs of \$120,000 and \$242,000, respectively, during the three and six months ended June 30, 2008 with a

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G&G firm in which an officer of the Company is a managing partner. The contract with that firm was concluded at the end of 2008.

BAYOU BEND PETROLEUM LTD.

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

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