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

MANAGEMENT DISCUSSION AND ANALYSIS
(Amounts in United States Dollars unless otherwise indicated)
Three and Six Months Ended June 30, 2007 and 2006

Management's discussion and analysis ("MD&A") of Bayou Bend Petroleum Ltd.'s (the "Company" or "Bayou Bend") financial condition and results of operations should be read in conjunction with the unaudited consolidated financial statements for the three and six months ended June 30, 2007 and 2006 and related notes therein, prepared in accordance with Canadian generally accepted accounting principles. The effective date of the MD&A is August 21, 2007. Additional information related to the Company is available on SEDAR at www.sedar.com and on the Company's web-site at www.bayoubendpetroleum.com.

Overview

Bayou Bend is a Canadian-based oil and gas company that currently holds various interests in oil and gas exploration and development properties in the USA. Up to February 9, 2007, the Company operated under the name Kit Resources Ltd. and traded on the TSX Venture Exchange under the symbol "KIT". On February 9, 2007, the Company changed its name to Bayou Bend Petroleum Ltd. and started trading under the symbol "BBP".

Prior to December 31, 2006, the Company was a resource based company engaged in the continued search for new and viable opportunities in the mineral sector. During the three months ended March 31, 2007, the Company began its transition into an oil and gas exploration and development company and completed several significant acquisitions.

Effective April 1, 2007, the Company's reporting currency was changed from Canadian dollars to U.S. dollars. The Company anticipates that its future sales will be earned in U.S. dollars and significant expenditures of the Company costs will be incurred in U.S. dollars. The comparative financial statements from prior periods have been restated to reflect this change.

During the three months and six months ended June 30, 2007, the Company's major accomplishments were as follows:

Three months ended June 30, 2007

- Completed acquisition of a 21.875% working interest in 2,899.9 acres, which includes the large LaPosada prospect, located in inland waters in the Bayou Hebert Field in Louisiana.
- Entered into a Farm-out Agreement for oil and gas exploration rights on South Marsh Island 165, an additional block in the Outer Continental Shelf, Gulf of Mexico.

- Completed the acquisition of five Gulf of Mexico offshore exploration leases (the "GOM Assets") from Pearl Exploration and Production Ltd.
- Established its first production from the Marsh Island project with the completion of the Greylock well, in which the Company holds a 54.5509% interest, and the reactivation of the two existing wells on the Company's Eugene Island Block 7 platform, in which the Company holds a 35.5809% interest.
- Commenced drilling its first well in the West Cameron Block 332, in which the Company holds a 25% interest. The well is being drilled to a depth of 14,250 feet, and, if successful, will be completed and tied into existing infrastructure. The well is currently being side tracked at 8,600 feet and is now expected to reach target depth by the middle of September. The side track operation will not result in any extra drilling costs as the drilling contract is on a turn-key basis.
- Started drilling its second well on the Marsh Island project, which is testing the Boot Spur prospect. The well has been drilled to a total depth of 15,788 feet TVD/MD. Log analysis indicates that the primary Cib Op section has discovered a sub-commercial gas accumulation with an estimated 6 to 12 feet of laminated pay. However, the shallower Cris 1 sand appears to be gas saturated and the well will undergo further evaluation to determine its economic viability as a potential completion. The Company has a 35.5809% interest in the well.
- In June, the Company successfully bid on an additional 10 tracts of land in the State of Louisiana oil and gas lease auction.

<u>Three months ended March 31, 2007</u>

- Successfully completed a private placement of common stock raising $190,796,000 (net of fees) to be used for the acquisition of Summit Energy Company, L.L.C. ("Summit"), other properties and planned drilling programs, as well as for general working capital purposes.
- Completed the acquisition of Summit, an oil and gas company with a quality portfolio of assets onshore and offshore Marsh Island in the Gulf of Mexico off the Louisiana Coast.
- Acquired an additional 17.4175% interest in the Marsh Island Project Group from other participants to bring the Company's total interest to 35.5809%.

Subsequent to the quarter end, the Company had two additional major accomplishments as follows:

- On August 4, 2007, the Company spudded its second well in Federal Waters in the Gulf of Mexico. The well is testing a prospect in Mustang Island Block 736 which is approximately 30 miles from the Texas coastline in 155 feet of water. The well is expected to reach its target depth of 13,115 feet in early September. If successful, the well will be mud line suspended while a caisson is fabricated and installed. The Company has a 100% interest in this well.
- On August 10, 2007, drilling commenced on the Broussard Estes #1 well. The well is testing the LaPosada prospect located in inland waters in the Bayou Hebert Field and is being drilled and operated by PetroQuest Energy, L.L.C. The prospect is a Lower Miocene deeper pool test on a high relief fault closure that has produced over 100 BCF from shallower Middle and Lower Miocene sands.

The well is expected to reach total depth by the end of November. Bayou Bend will earn a 21.875 % working interest in the initial well on LaPosada and future wells located on the associated acreage.

Oil and Gas Acquisitions

On April 26, 2007, the Company entered into a participation agreement for oil and gas exploration rights on 2,899.9 acres, which includes the large LaPosada prospect, located in Iberia and Vermilion Parishes, Louisiana. Bayou Bend will fund 25% of the costs of drilling the initial well on LaPosada to earn a 21.875% working interest in this first well and all future wells located on the associated acreage.

On May 8, 2007, the Company closed on the acquisition of the Gulf of Mexico Assets (GOM Assets) from Pearl Exploration and Production Ltd. The GOM Assets are comprised of a 100% working interest in five Gulf of Mexico offshore exploration blocks and farm-in rights to acquire a 25% working interest in a sixth offshore block. The GOM Assets were acquired in exchange for 10 million common shares with a value of $27.4 million.

In April 2007, the Company entered in a Farm-out Agreement for oil and gas exploration rights on SMI 165. Upon completion of its work commitment, the Company will earn a 100% working interest to the depth drilled. This shallow water block is located in 233 feet of water and encompasses over 2,500 acres.

In June, the Company was the successful bidder on an additional 10 tracts of land in the State of Louisiana oil and gas lease auction. The bids cover 2,170.47 acres of shallow water leases in the Marsh Island Project Area, in which the Company has a 35.5809% interest, bringing the total gross number of acres held by the Marsh Island Project Group to over 19,170 total acres.

Production

On June 8, 2007, the Company commenced its first production on its Greylock well, located within the Marsh Island Project Area. The well, which was the Company's first drilled in its multi-well program, is currently flowing at 4.2 MMCF/D. The well is tied into the Company's Eugene Island Block 7 production facility.

Selected Quarterly Information

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

($000s, except per share data)	30-Jun 2007	Mar 31 2007	Dec 31 2006	Sep 30 2006	Jun 30 2006	Mar 31 2006	Dec 31 2005
Revenue	$1,493	$597	$28	$25	$10	$Nil	$Nil
Net (loss)	($557)	($1,887)	($352)	($167)	($346)	($51)	$4
Net (loss) per share - basic	($0.00)	($0.01)	($0.01)	$0.00	$0.00	$0.00	$0.00
Net (loss) per share - diluted	($0.00)	($0.01)	($0.01)	$0.00	$0.00	$0.00	$0.00
Total assets	$232,075	$188,200	$2,559	$2,972	$3,004	$2,532	$2,630

Prior to December 31, 2006, the Company was a mineral company and had limited operational activities. Subsequent to December 31, 2006, the Company changed its strategic direction to become an oil and gas exploration and development company by acquiring a variety of oil and gas interests in the USA. Beginning in the current year, revenues include oil and gas sales.

Results of Operations

The Company had a consolidated net loss of $557,000 for the three month period ended June 30, 2007 compared to a net loss of $346,000 for the same period in the prior year. For the six month period ended June 30, 2007, the Company had a consolidated net loss of $2,444,000 compared to a net loss of $398,000 for the same period in the prior year.

In 2006, the Company had limited activities associated with its mining activities. In the current year, the Company has incurred significant expenses related to the start-up of its oil and gas operations. The Company has some oil and gas revenues; however, the expenses offset these revenues. The various income and expenses categories are explained below in more detail.

<u>Oil and Gas Sales</u>
The Company had oil and gas sales of $299,000 and $471,000 for the three and six month periods ended June 30, 2007, respectively, compared to $nil for the prior year.

<u>Interest Income</u>
For the three and six month periods ended June 30, 2007, interest income was $1,194,000 and $1,619,000, respectively, compared to $10,000 and $nil for the comparable periods in 2006. Interest income represents bank interest earned on excess cash. The Company had excess cash balances as a result of its equity issues through the private placement.

<u>Production Costs</u>
The Company had production costs of $152,000 and $197,000 for the three and six month periods ended June 30, 2007, compared to $nil for the prior year.

General and Administrative Expenses

General and administrative expenses for the three and six month periods ended June 30, 2007 were $1,687,000 and $2,144,000, respectively, compared to $53,000 and $105,000 for the comparable periods in 2006.

The current year general and administrative expenses include $555,000 for legal and audit costs, $465,000 for salaries and benefits, $301,000 for management and consulting fees, and $823,000 for various other general expenses. General and administrative expenses are expected to continue to increase over the prior periods as the Company continues to increase its exploration and production activities.

Depletion, Depreciation and Amortization

Depletion, depreciation and amortization ("DD&A") was $174,000 and $252,000 for the three and six month periods ended June 30, 2007 compared to $nil for the prior year. The DD&A amount is mainly depletion of the oil and gas producing assets. The Company follows the full cost method of accounting for its oil and gas interests, whereby capitalized costs along with estimated future costs to develop proved reserves, are depleted on a unit-of-production basis using estimated proved oil and gas reserves.

Stock-Based Compensation

Stock-based compensation was $37,000 and $1,941,000 for the three and six month periods ended June 30, 2007. Stock-based compensation was $303,000 for the three and six month periods ended June 30, 2006. The Company uses the fair value method of accounting for stock options granted to directors, officers, employees and consultants whereby the fair value of all stock options granted is recorded as a charge to operations. The fair value of common share options granted is estimated on the date of grant using the Black-Scholes option pricing model. For the three month period ended March 31, 2007, the Company issued 2,615,000 options at prices ranging from $1.20 to $2.15. No stock options were issued for the three month period ended June 30, 2007.

Financial Condition

At June 30, 2007, the Company had total assets of $232,075,000 compared to $2,559,000 at December 31, 2006. The increase in assets is primarily the result of the private placement of common stock and the acquisition of the Summit assets in February 2007 and the acquisition of the GOM assets in May 2007.

Liquidity and Capital Resources

Working capital at June 30, 2007, totaled $117,577,000, compared to $2,488,000 at December 31, 2006.

Funds from operations were $7,364,000 and $10,809,000 for the three and six month periods ended June 30, 2007 compared to funds used in operations of $44,000 and $110,000 for the comparable periods in 2006.

Net cash provided from financing activities for the three and six month periods ended June 30, 2007 was $18,000 and $166,671,000, respectively, compared to $405,000 and $367,000 for the comparable periods in 2006. During the three months ended March 31, 2007 the Company issued 214,817,538 common shares at an average price of Cdn $0.97 per share.

Net cash used in investing activities was $5,719,000 and $63,163,000 for the three and six month periods ended June 30, 2007 compared to $1,000 and $1,000 for the comparable periods in 2006. During the six month period ended June 30, 2007, the Company used cash of $63,418,000 to add to its oil and gas interests through the acquisition of leases and exploration and development activities.

Contributed surplus increased $37,000 and $1,938,000 for the three and six month periods ended June 30, 2007 over the balance at December 31, 2006. The increase is due to the stock-based compensation for the periods. When options are granted, the Black-Scholes option value method is used to calculate a value for the stock options. The offset to the amount that is recorded as stock compensation expense is a credit to contributed surplus. During the three month period ended March 31, 2007, 750,000 stock options were exercised. No stock options were exercised during the three month period ended June 30, 2007.

The Company does not currently generate sufficient cash flow from its oil and gas operations to fund the entire oil and gas exploration, development and acquisition activities. The Company has relied upon the issuance of common shares to assist with financing its ongoing oil and gas exploration, development and acquisition activities to the extent that sufficient cash flow from oil and gas assets or farming out interests in oil and gas properties is not sufficient to finance its operations.

Financial Instruments

The carrying amounts of financial instruments comprising cash, accounts receivable and accounts payable approximate their fair value due to the immediate or short-term nature of these financial instruments.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Outstanding Share Data

As of August 21, 2007, the Company had 308,256,088 shares outstanding, 2,615,000 stock options outstanding under its stock-based compensation plan and 500,000 warrants outstanding.

Related Party Transactions

Namdo Management Services Ltd. (Namdo), an affiliated company, provides administrative support to the Company under an agreement which commenced April 1, 2007. The amount paid to Namdo during the six month period ended June 30, 2007 was $89,000.

During the six month period ended June 30, 2007, the Company incurred legal fees of $229,000 with a law firm in which an officer of the Company is a partner.

Changes to Management

On February 19, 2007, the Company accepted the resignations of Matthew J. Mason as President and Chief Executive Officer, Peter D. Leitch as Director, Stephen G. Stanley as Director and Judee Fayle as Chief Financial Officer and Corporate Secretary.

Also on February 19th and on March 27th, 2007, the following individuals were appointed to the Company's Board of Directors:

Clinton W. Coldren
Brian D. Edgar*
Gary S. Guidry*
Keith C. Hill*
John Zaozirny.
* Member of Audit Committee

On February 19, 2007, Clinton W. Coldren was appointed President and Chief Executive Officer of the Company and Kevin E. Hisko was appointed Corporate Secretary. On April 1, 2007, William D. Hoffman was appointed Chief Financial Officer.

Accounting Policies and Critical Accounting Estimates

Due to the Company's transition into the oil and gas exploration and development industry, the Company has adopted the full cost method of accounting for its oil and gas interests. This policy is described in Note 2 of the June 30, 2007 unaudited interim consolidated financial statements.

Risks and Uncertainties

The Company is exposed to a number of risks and uncertainties inherent in exploring for, developing and producing crude oil and natural gas. These risks and uncertainties include, but are not limited to, the following: economic risk of finding and producing reserves at a reasonable cost; cost of capital risk associated with securing the needed capital to carry out the Company's operations; risk of fluctuating currency exchange rates; risk of carrying out operations with minimal environmental impact; risk of weather, including hurricanes and other storms; risk of governmental policies, social instability or other political, economic or diplomatic developments in the US operations; market risk associated with investing the Company's cash reserves in interest bearing depository instruments; and environmental risks related to its oil and gas and mineral properties. Many of the previously mentioned risks are beyond the Company's control, and it is impossible to ensure that any exploration drilling program will result in commercial operations. The Company does not utilize derivative instruments to hedge its foreign currency exchange or interest rate risks.

Internal Controls over Financial Reporting

Management has designed, established and is maintaining a system of internal controls over financial reporting to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner in accordance with Canadian generally accepted accounting principles.

Outlook

The Company plans to continue pursuing Gulf of Mexico oil and gas opportunities to add to its portfolio of exploration and development properties, and to focus on the development of its existing interests in the USA.

The Company is currently drilling one well in the Gulf of Mexico shallow water shelf area, one well in the Marsh Island Project area and one well in the Louisiana tidal area. For the remainder of 2007, the Company has at least 3 additional high potential wells scheduled in both Federal and State waters.

During the remainder of 2007 the Company will continue to pursue strategic acquisitions through planned lease sales and other arrangements.

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.

Non-GAAP Measures

Certain measures in this MD&A do not have any standardized meaning as prescribed by Canadian GAAP such as "funds from operations" and "cash flows" and therefore are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance operations. Management's use of these measures has been disclosed further in this MD&A as these measures are discussed and presented.