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

Consolidated Financial Statements

First Quarter Report

For The

Three Months Ended March 31, 2007

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

BAYOU BEND PETROLEUM LTD.
(formerly Kit Resources Ltd.)
Consolidated Balance Sheets
Expressed in Canadian Dollars
(unaudited)

	March 31, 2007	December 31, 2006
ASSETS		
Current Assets		
Cash and cash equivalents	$ 136,145,000	$ 2,954,000
Accounts receivable	841,000	13,000
Prepaid expenses and deposits	1,839,000	15,000
	138,825,000	2,982,000
Petroleum and natural gas properties (note 4)	78,185,000	-
Accumulated depletion, depreciation & amortization	(91,000)	-
Net properties	78,094,000	-
	$ 216,919,000	$ 2,982,000
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 6,287,000	$ 61,000
Due to related parties	-	21,000
	6,287,000	82,000
Asset retirement obligation	294,000	-
	6,581,000	82,000
SHAREHOLDERS' EQUITY		
Share Capital (note 5)	262,378,000	54,963,000
Contributed Surplus (note 5)	4,003,000	1,781,000
Adjustment for foreign currency translation	3,000	-
Deficit	(56,046,000)	(53,844,000)
	210,338,000	2,900,000
	$ 216,919,000	$ 2,982,000

Subsequent event (note 7)

See accompanying notes to consolidated financial statements.

BAYOU BEND PETROLEUM LTD.
(formerly Kit Resources Ltd.)
Consolidated Statements of Operations and Deficit
For the Three Months Ended March 31, 2007 and 2006
Expressed in Canadian Dollars
(unaudited)

	2007	2006
Revenues		
Oil and gas sales	$ 201,000	$ -
Interest income	496,000	-
	697,000	-
Expenses		
Production costs	53,000	-
Depletion, depreciation and amortization	91,000	-
General and administrative	533,000	60,000
Stock-based compensation	2,222,000	-
	2,899,000	60,000
Loss before income taxes	(2,202,000)	(60,000)
Capital taxes	-	-
	-	-
Net loss for the period	(2,202,000)	(60,000)
Deficit, beginning of period	(53,844,000)	(52,802,000)
Deficit, end of period	$ (56,046,000)	$ (52,862,000)
Basic loss per share	$ (0.01)	$ 0.00
Diluted loss per share	$ (0.01)	$ 0.00
Weighted average number of common shares used in computing earnings per share:		
Basic	189,923,113	79,873,550
Diluted	191,226,490	79,873,550

See accompanying notes to consolidated financial statements.

BAYOU BEND PETROLEUM LTD.
(formerly Kit Resources Ltd.)
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2007 and 2006
Expressed in Canadian Dollars
(unaudited)

	2007	2006
Operating activities		
Net loss	$ (2,202,000)	$ (60,000)
Items not involving cash:		
Depletion, depreciation and amortization	91,000	
Stock-based compensation	2,222,000	
Changes in non-cash operating working capital:		
Accounts receivable	(828,000)	(2,000)
Prepaid expenses and deposits	(1,824,000)	(9,000)
Accounts payable and accrued expenses	6,204,000	(7,000)
	3,663,000	(78,000)
Financing activities		
Issuance of share capital	195,072,000	26,000
Repayment of related party loans	-	(70,000)
	195,072,000	(44,000)
Investing activities		
Additions to petroleum and natural gas properties	(65,838,000)	-
Asset retirement obligation	294,000	
	(65,544,000)	-
Net increase in cash and cash equivalents	133,191,000	(122,000)
Cash and cash equivalents - beginning of period	2,954,000	2,775,000
Cash and cash equivalents - end of period	$ 136,145,000	$ 2,653,000
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	$ 12,343,000	$ -

See accompanying notes to consolidated financial statements.

1. NATURE OF OPERATIONS

Bayou Bend Petroleum Ltd. (formerly Kit Resources Ltd.) (the "Company") is incorporated under the British Columbia Business Corporations Act. The Company is engaged in the business of oil and gas exploration and development in the Gulf of Mexico.

On February 7, 2007, the Company received regulatory approval to change its name to Bayou Bend Petroleum Ltd. from Kit Resources Ltd. with an effective date of February 9, 2007. The Company's shares trade on the TSX Venture Exchange under the symbol of "BBP".

On February 20, 2007, the Company purchased 100% of the outstanding membership interests in Summit Energy Company, L.L.C. ("Summit").

Prior to the current year, the Company was considered to be a development stage enterprise for reporting purposes. Starting in 2007, the Company is no longer considered to be in the development stage.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Bayou Bend Petroleum USA Ltd., Summit Energy Company, L.L.C. and Bayou Bend Offshore, Ltd.

The interim consolidated financial statements of the Company have been prepared in accordance with the accounting principles generally accepted in Canada, using the same accounting policies and methods of computation as set out in note 2 to the audited financial statements in the Company's Annual Report for the year ended December 31, 2006. The disclosures provided herein are incremental to those included with the audited financial statements and result from the Company's recent acquisition of Summit and entry into the oil and gas exploration and development industry. The interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2006.

b) Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are subject to measurement uncertainty. Actual results could differ from and affect the results reported in these consolidated financial statements.

In the accounting for oil and gas interests, amounts recorded for depletion and amounts used for impairment test calculations are based on estimates of oil and gas reserves and future cash flows, including development costs. By their nature, the estimates of reserves and the related future cash flows are subject to measurement uncertainty and the impact on the consolidated financial statements of future periods could be material.

c) Foreign Currency Translation

The Company's reporting currency is Canadian dollars.

The Company's U.S. operations are considered a self-sustaining foreign operation. Accordingly, the Company uses the current rate method to translate the financial statements of its U.S. subsidiaries. Under the current rate method, all assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average rate for the period. Translation adjustments are not included in determining net income but are deferred and reported separately as a component of shareholders' equity.

d) Petroleum and Natural Gas Properties

The Company follows the full cost method of accounting for its oil and gas interests. In accordance with Accounting Guideline 16 (AcG 16) issued by the CICA, all costs relating to the exploration for and development of oil and gas reserves are capitalized in country-by-country cost centres and charged against income as set out below. Capitalized costs include expenditures for geological and geophysical surveys, property acquisition, drilling exploration and development wells, gathering and production facilities and development expenditures.

Capitalized costs, along with estimated future costs to develop proved reserves, are depleted on a unit-of-production basis using estimated proved oil and gas reserves. Costs of acquiring and evaluating unproved properties are excluded from costs subject to depletion until it is determined whether proved reserves are attributable to the properties or impairment occurs. Unproved properties are evaluated for impairment on at least an annual basis. If an unproved property is considered to be impaired, the amount of the impairment is added to the costs subject to depletion.

The Company engages independent engineers in order to determine its share of reserves.

The net amount at which oil and gas interests are carried is subject to a cost recovery test (the "ceiling test"). The ceiling test is a two-stage process which is performed at least annually. The first stage is a recovery test whereby undiscounted estimated future cash flows from proved reserves at oil and gas prices in effect at the balance sheet date ("forecast prices") plus the cost of unproved properties less any impairment is compared to the net book value of the oil and gas interests to determine if the assets are impaired. An impairment loss exists if the net book value of the oil and gas interests exceeds such undiscounted estimated cash flows. The second stage determines the amount of the impairment loss to be recorded. The impairment is measured by the amount by which the net book value of the oil and gas interests exceeds the future estimated discounted cash flows from proved plus probable reserves at the forecast prices. Any impairment is recorded as additional depletion costs.

e) Revenue Recognition

Revenues from the sale of petroleum and natural gas are recorded when title passes to an external party.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts and interest receivable, amounts due to related parties, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair values of these financial instruments approximate their carrying values due to their short-term maturity or capability of prompt liquidation.

4. ACQUISITIONS

On February 20, 2007, the Company acquired all of the issued and outstanding membership interests of Summit for cash consideration of $39,638,000. The assets acquired included an 18.1634% interest in a portfolio of assets onshore and offshore Marsh Island in the Gulf of Mexico, together with an 18.1634% interest in a 40 MMcfgpd production facility tied into the existing regional pipeline infrastructure.

Expressed in Canadian Dollars

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 $1,712,000.

The Company also acquired from certain other participants an additional 17.4175% interest in the Marsh Island project for consideration of $24,730,000. The consideration paid included the issuance of 393,267 shares of stock with a value of $551,000.

In connection with the above transactions and the private placement described in Note 5(a), the Company issued 2.2 million shares of stock as a finders' fee to third parties. An additional 5 million shares of stock were issued under the terms of certain assignment agreements pursuant to which the Company was granted the opportunity to acquire Summit. The value of the 7.2 million shares issued was $10,080,000.

The total consideration, including other related properties and transaction costs, for the above acquisitions was $76,160,000. The allocation of the purchase price is as follows:

Petroleum and natural gas properties	$ 74,350,000
Working capital	2,104,000
Asset retirement obligation	(294,000)
	$ 76,160,000

Expressed in Canadian Dollars

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 - Dec. 31, 2006	83,238,550	$	54,963,000	$	1,781,000
Issued for cash:					
- private placement	166,666,667		190,796,000		
- warrants exercised	38,585,000		3,858,000		
- stock options exercised	750,000		418,000		
Issued during the year:					
- Summit acquisitions	8,815,871		12,343,000		
- stock options granted					2,222,000
Balance - March 31, 2007	298,056,088	$	262,378,000	$	4,003,000

During the quarter, the Company closed a private placement of 166,666,667 shares at a price of $1.20 per share. Gross proceeds of the offering were $200,000,000 ($190,796,000 net of filing fees).

b) Share Options

The Company has an established share purchase option plan whereby a committee of the Company's board of directors may, from time to time, grant up to a total of 10% of the issued share capital to directors, officers, employees or consultants. The number of shares under option at any specific time to any one optionee shall not exceed 5% of the issued and outstanding common shares of the Company. The term of any options granted under the plan will be fixed by the Board of Directors and may not exceed five years from the date of grant. All options granted are subject to a four month hold period from the date of granting. Vesting terms are at the discretion of the Board of Directors. The exercise price of an option is not less than the closing price on the TSX Venture Exchange ("the Exchange") on the last trading day preceding the grant date, less the applicable discount, provided that the exercise price will not be less than $0.10 per share.

i) During the quarter, the Company granted options to purchase 1,450,000 shares of the Company at $1.20 per share, exercisable by January 18, 2012, 550,000 shares of the Company at $1.20 per share, exercisable by January 19, 2012, 150,000 shares of the Company at $2.15 per share, exercisable by

Expressed in Canadian Dollars

March 27, 2012, and 465,000 shares of the Company at $2.15 per share, exercisable by March 27, 2010. During the quarter, stock options were exercised to purchase 750,000 shares at an average exercise price of $0.56 per share.

ii) A summary of the Company's options at March 31, 2007 and the changes for the quarter are as follows:

Exercise Price	Outstanding December 31, 2006	Granted	Exercised	Outstanding March 31, 2007	Expiry Date
$ 0.15	250,000		(250,000)	-	July 24, 2008
$ 0.76	500,000		(500,000)	-	March 1, 2011
$ 0.75	250,000			250,000	September 26, 2011
$ 1.20		1,450,000		1,450,000	January 18, 2012
$ 1.20		550,000		550,000	January 19, 2012
$ 2.15		150,000		150,000	March 27, 2012
$ 2.15		465,000		465,000	March 27, 2010
Totals:	1,000,000	2,615,000	(750,000)	2,865,000	
Weighted average exercise price	$ 0.61	$ 1.42	$ 0.56	$ 1.36	

All options outstanding at March 31, 2007 are fully vested except for 100,000 options which vest on September 28, 2007.

iii) Stock Based Compensation

The Company recognizes compensation expense on stock options granted to both employees and non-employees using the fair value method at the date of grant, which the Company records as an expense. The current period stock option compensation expense is calculated using the Black-Scholes Option Pricing Model with the following assumptions from the date of grant:

Expected dividend yield	0%
Risk-free interest rate (weighted average)	4.02%
Expected stock price volatility (average)	81.56%
Expected option life in years (weighted average)	3.82

The current quarter's stock option compensation expense amounted to $2,222,000.

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, 2006, the Company had share purchase warrants outstanding to purchase 39,285,000 shares at $0.10 per share, exercisable by January 9, 2008. These warrants are outstanding pursuant to the private placement of 40,000,000 units that closed during 2006. During the quarter, 38,585,000 shares were issued at $0.10 per share, pursuant to these warrants. As of March 31, 2007, the Company had share purchase warrants outstanding to purchase 700,000 shares at $0.10 per share, exercisable by January 9, 2008.

6. INCOME TAXES

As at December 31, 2006, the Company had approximately $1,248,000 of losses carried forward, available to offset against future taxable income. These losses, if not utilized, expire by 2016. The Company has mineral exploration and development expenditures of approximately $3,201,000 available to reduce certain types of taxable income in future years.

Future income tax benefits, which may arise as a result of these losses and resource expenditures have not been recognized in these financial statements.

7. SUBSEQUENT EVENT

On May 8, 2007, the Company finalized the acquisition of the Gulf of Mexico Assets ("GOM") of Pearl Exploration and Production Ltd. ("Pearl"), then a related party through common management. The acquisition of GOM was completed pursuant to an agreement dated January 2, 2007. The GOM Assets, comprised of a 100% working interest in five Gulf of Mexico offshore exploration blocks, farm-in rights to acquire a 25% working interest in a sixth offshore block, and all physical data, work products and files and records associated with those blocks, were acquired in exchange for 10 million common shares of the Company, which at the time the agreement was signed, had a deemed value of $12,000,000. The price of the Company's common shares has since appreciated giving the acquisition a value of $27,400,000.

BAYOU BEND PETROLEUM LTD.

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