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

MANAGEMENT DISCUSSION AND ANALYSIS
(Amounts in United States Dollars unless otherwise indicated)
Three and Nine Months Ended September 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 nine months ended September 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 November 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. 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 and nine months ended September 30, 2007, the Company's major accomplishments and other significant events were as follows:

Three months ended September 30, 2007

- On August 4, 2007, the Company spudded its second well in Federal Waters in the Gulf of Mexico. The well was testing a prospect in Mustang Island Block 736 which is approximately 30 miles from the Texas coastline in 155 feet of water. After drilling to a depth of 11,190 feet, the well was evaluated with open-hole logs and production casing was run on apparent petrophysical gas pay. During November, there were two formation tests completed in the well bore which flowed formation water and therefore the well has been assessed as non-commercial. Operations are currently underway to plug and abandon the well. Total drilling costs for this well are estimated to approximate $29,000,000. 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 currently drilling ahead at 15,217 feet and is expected to reach the planned total depth of 19,300 feet in February 2008. Bayou Bend will earn a 21.875 % working interest in the initial well on LaPosada and future wells located on the associated acreage.
- In August, the Company announced that the #1 well on the Bootspur prospect had been drilled to a total depth of 15,788 feet MD, but that log analysis indicated that the primary Cib Op section discovered a sub-commercial gas accumulation with an estimated 6 – 12 feet of laminated pay. The shallower Cris I sand did appear to be gas saturated. The well has been temporarily abandoned while the logging results are undergoing further evaluation to determine the well’s economic viability as a potential completion.
- In September, the Company reported that the West Cameron 332 #1 well, operated by Cairn Energy, USA, was drilled to a total depth of 14,250 feet MD, logged and evaluated. Wire-line log evaluation indicated there were non-reservoir quality silts and tight sands in the objective section. The wellbore was subsequently plugged and abandoned.
- In August the Company successfully bid on, and was subsequently awarded, two blocks (#542 and #547) in the West Cameron offshore area bringing the total gross acreage held by the Company to 73,057 acres.

<u>Nine months ended September 30, 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%.
- Drilled its first well and 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 reactivated two existing wells on the Company’s Eugene Island Block 7 platform, in which the Company holds a 35.5809% interest.

Subsequent to the quarter end, the Company had significant additional activities as follows:

- In October the Company was the apparent high bidder on seven blocks (of which five blocks have been awarded to date) in West Cameron (#244, #250 and #251), East Cameron (#116 and #143), Vermillion (#208) and Eugene Island (#59). Once all of the blocks are awarded by the Mineral Management Service, the total gross acreage held by the Company will be 108,057 acres.

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.

In April 2007, the Company entered in a Farm-out Agreement for oil and gas exploration rights on SMI 165. The Amended Agreement requires the spudding of a well on the lease prior to March 15, 2008. This shallow water block is located in 233 feet of water and encompasses over 2,500 acres.

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 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 26,897 total acres.

In August the Company successfully bid on two blocks (#542 and #547) in the West Cameron offshore area and in October the Company was the apparent high bidder on seven blocks in West Cameron (#244, #250 and #251), East Cameron (#116 and #143), Vermillion (#208) and Eugene Island (#59). Five of these blocks have since been awarded. Once the remaining blocks are awarded by the Mineral Management Service, the total gross acreage held by the Company will be 108,057 acres.

Production

	Three months ended		Nine months ended	
	Sep 30, 2007	Sep 30, 2006	Sep 30, 2007	Sep 30, 2006
Oil & gas sales	$ 1,077,000	$ -	$ 1,548,000	$ -
Oil (net bopd)	24	-	19	-
Natural gas (net mcf/d)	1,473	-	1,468	-
Total (net mcfe/d)*	1,618	-	1,580	-
Oil - average selling price per bbl	$ 77.37	$ -	$ 71.19	$ -
Gas - average selling price per mcf	$ 5.85	$ -	$ 6.22	$ -

* oil production converted at 6:1

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 producing at 1,160 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 producing at a combined rate of 200 mcf/d for a total field production of 1,360 mcf/d on a net revenue interest basis.

In addition to the production associated with the Eugene Island Block 7 facility, the Company's interest in its Jefferson Island wells produced 238 mcfe/d on a net revenue basis.

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-Sep 2007**	**30-Jun 2007**	**Mar 31 2007**	**Dec 31 2006**	**Sep 30 2006**	**Jun 30 2006**	**Mar 31 2006**
Revenue - oil & gas sales	$1,077	$299	$172	$0	$0	$0	$Nil
Net income (loss)	$377	($557)	($1,887)	($352)	($167)	($346)	($51)
Net (loss) per share - basic	$0.00	($0.00)	($0.01)	($0.01)	$0.00	$0.00	$0.00
Net (loss) per share - diluted	$0.00	($0.00)	($0.01)	($0.01)	$0.00	$0.00	$0.00
Total assets	$245,907	$232,075	$188,200	$2,559	$2,972	$3,004	$2,532

The increase in revenue for the three month period ended September 30, 2007, is primarily due to increased gas production compared to the prior quarter as a result of the Greylock well commencing production on June 8, 2007.

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 consolidated net income of $377,000 for the three month period ended September 30, 2007 compared to a net loss of $167,000 for the same period in the prior year. For the nine month period ended September 30, 2007, the Company had a consolidated net loss of $2,067,000 compared to a net loss of $565,000 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 $1,077,000 and $1,548,000 for the three and nine month periods ended September 30, 2007, respectively, compared to $nil for the prior year. The increase in oil and gas sales during the three months ended September 30, 2007, compared to the prior quarter is primarily due to an increase in gas production volumes as a result of the Greylock well commencing production on June 8, 2007.

<u>Interest Income</u>
For the three and nine month periods ended September 30, 2007, interest income was $1,389,000 and $3,008,000, respectively, compared to $26,000 and $36,000 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 $351,000 and $548,000 for the three and nine month periods ended September 30, 2007, compared to $nil for the prior year.

<u>General and Administrative Expenses</u>
General and administrative expenses for the three and nine month periods ended September 30, 2007 were $888,000 and $3,032,000, respectively, compared to $128,000 and $431,000 for the comparable periods in 2006.

The current year general and administrative expenses include $789,000 for legal, accounting and audit costs, $782,000 for salaries and benefits, $472,000 for management and consulting fees, $332,000 for travel and $657,000 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 $759,000 and $1,011,000 for the three and nine month periods ended September 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 $91,000 and $2,032,000 for the three and nine month periods ended September 30, 2007. Stock-based compensation was $128,000 and $431,000 for the three and nine month periods ended September 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 nine month period ended September 30, 2007, the Company issued 3,315,000 options at prices ranging from $1.20 to $2.15.

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 includes unrealized foreign currency translation gains and losses arising from self-sustaining foreign operations.

The Company's operations in the United States are denominated in U.S. dollars and are considered self-sustaining.

During the three and nine month periods ended September 30, 2007, unrealized gains on translation of foreign currencies were $7,261,000 and $18,024,000, respectively. These gains result from the strengthening of the Canadian dollar against the U.S. dollar.

As of November 21, 2007, the Company had approximately $42,000,000 Canadian dollars and approximately $58,000,000 United States dollars in its cash and investments accounts.

Financial Condition

At September 30, 2007, the Company had total assets of $245,907,000 compared to $2,559,000 at December 31, 2006. The increase in assets is primarily the result of the private placement of common stock, 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 September 30, 2007, totaled $99,432,000, compared to $2,488,000 at December 31, 2006.

Funds used in operations were $12,755,000 and $1,946,000 for the three and nine month periods ended September 30, 2007 compared to funds used in operations of $20,000 and $130,000 for the comparable periods in 2006.

Net cash provided from financing activities for the three and nine month periods ended September 30, 2007 was $nil and $166,767,000, respectively, compared to $(8,000) and $359,000 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 $9,156,000 and $72,319,000 for the three and nine month periods ended September 30, 2007 compared to $nil and $1,000 for the comparable periods in 2006. During the nine month period ended September 30, 2007, the Company used cash of $72,319,000 to add to its oil and gas interests through the acquisition of leases and exploration and development activities.

Contributed surplus increased $91,000 and $2,032,000 for the three and nine month periods ended September 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 other stock options were exercised during the nine month period ended September 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 November 21, 2007, the Company had 308,256,088 shares outstanding, 3,315,000 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 nine month period ended September 30, 2007 was $129,000.

During the nine month period ended September 30, 2007, the Company incurred legal fees of $219,000 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. On August 23, 2007, William Sack was appointed Senior Vice President of Exploration. On November 16, 2007, Melinda L. Stuart was appointed Vice President of Asset Development.

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 September 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 Louisiana tidal area. No additional wells are scheduled to be drilled during the remainder of 2007.

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.