BAYOU BEND PETROLEUM LTD.

Consolidated Balance Sheets

Expressed in United States Dollars

(unaudited)

	March 31, 2008	December 31, 2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 54,151,000	$ 58,575,000
Investments	24,248,000	32,056,000
Accounts receivable	1,722,000	3,109,000
Prepaid expenses	535,000	629,000
	80,656,000	94,369,000
Petroleum and natural gas properties	76,021,000	75,731,000
Accumulated depletion, depreciation & amortization	(3,689,000)	(3,259,000)
Net properties	72,332,000	72,472,000
	$ 152,988,000	$ 166,841,000
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	$ 2,797,000	$ 12,868,000
Advances from joint interest holders	373,000	394,000
Asset retirement obligation	1,021,000	987,000
	4,191,000	14,249,000
Asset retirement obligation	940,000	927,000
	5,131,000	15,176,000
SHAREHOLDERS' EQUITY		
Share capital	250,899,000	250,835,000
Contributed surplus	2,312,000	2,237,000
Accumulated other comprehensive income	3,282,000	3,282,000
Deficit	(108,636,000)	(104,689,000)
	147,857,000	151,665,000
Commitments		
	$ 152,988,000	$ 166,841,000

See accompanying notes to consolidated financial statements.

BAYOU BEND PETROLEUM LTD.
Consolidated Statements of Operations and Deficit
For the Three Months Ended March 31, 2008 and 2007
Expressed in United States Dollars
(unaudited)

	2008	2007
Revenues		
Oil and gas sales	$ 1,293,000	$ 201,000
Royalties	(328,000)	(29,000)
	965,000	172,000
Expenses		
Operating	466,000	45,000
Exploration	2,721,000	845,000
Dry hole costs	-	-
Impairment of properties	-	1,603,000
Accretion	13,000	-
Depletion, depreciation and amortization	430,000	78,000
General and administrative	928,000	457,000
Stock-based compensation	89,000	1,904,000
Foreign exchange loss	1,079,000	-
	5,726,000	4,932,000
Other income (expense)		
Interest income	814,000	425,000
	814,000	425,000
Net loss	(3,947,000)	(4,335,000)
Deficit, beginning of period	(104,689,000)	(46,217,000)
Deficit, end of period	$ (108,636,000)	$ (50,552,000)
Basic loss per share	$ (0.01)	$ (0.02)
Diluted loss per share	$ (0.01)	$ (0.02)
Weighted average number of common shares used in computing earnings per share:		
Basic	308,712,132	189,923,113
Diluted	308,712,132	189,923,113

See accompanying notes to consolidated financial statements.

BAYOU BEND PETROLEUM LTD.
Consolidated Statements of Other Comprehensive Income
For the Three Months Ended March 31, 2008 and 2007
Expressed in United States Dollars
(unaudited)

		2008		2007
Net loss for the period	$	(3,947,000)	$	(4,335,000)
Other comprehensive income:				
Unrealized gains on adoption of U.S. functional currency		-		3,284,000
Comprehensive loss for the period	$	(3,947,000)	$	(1,051,000)

See accompanying notes to consolidated financial statements.

BAYOU BEND PETROLEUM LTD.
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2008 and 2007
Expressed in United States Dollars
(unaudited)

	2008	2007
Operating activities		
Net loss	$ (3,947,000)	$ (4,335,000)
Adjustments for non-cash and non-operating transactions:		
Depletion, depreciation and amortization	430,000	78,000
Impairment of properties	-	1,603,000
Dry hole costs	-	-
Accretion	13,000	-
Stock-based compensation	89,000	1,904,000
Changes in non-cash operating working capital:		
Accounts receivable	1,387,000	(717,000)
Prepaid expenses	94,000	(1,580,000)
Accounts payable and accrued expenses	(10,071,000)	5,392,000
Advances from joint interest holders	(21,000)	-
Asset retirement obligation	-	255,000
	(12,026,000)	2,600,000
Financing activities		
Issuance of share capital	50,000	166,767,000
Repayment of related party loans	-	(18,000)
	50,000	166,749,000
Investing activities		
Exploration and development expenditures	(256,000)	(57,248,000)
Investments	7,808,000	-
	7,552,000	(57,248,000)
Effect of exchange rate changes in cash	-	3,284,000
Net increase (decrease) in cash and cash equivalents	(4,424,000)	115,385,000
Cash and cash equivalents - beginning of period	58,575,000	2,535,000
Cash and cash equivalents - end of period	$ 54,151,000	$ 117,920,000
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	$ -	$ 10,593,000

See accompanying notes to consolidated financial statements.

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".

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

Notwithstanding that the Company has sufficient financial resources to fund operations through the 2008 fiscal year, continuing operations are dependent on discovery of economic oil and gas reserves and ultimately on the attainment of profitable operations.

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, 2007, except as described in note 3 to these interim consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2007.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the Company adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards have been adopted on a prospective basis.

a) Capital Disclosure (Section 1535)

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards

as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.
The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in the consolidated statements of shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or sell assets to settle liabilities. The Company is not subject to externally imposed capital requirements.

b) Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)

These standards replace CICA 3861, Financial Instruments – Disclosure and Presentation. They increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and marketing risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

i) Disclosures

The Company's financial instruments consist of cash, cash equivalents, investments, accounts receivable, accounts payable, accrued expenses and advances from joint interest holders.

Cash, cash equivalents and investments are designated as held for trading and therefore carried at fair value, with the unrealized gain or loss recorded in interest income.

The fair values of cash, cash equivalents, accounts receivable, accounts payable, accrued expenses and advances from joint interest holders approximate carrying value because of the short-term nature of these instruments. The fair values of investments are determined directly by reference to quoted market prices.

ii) Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk

The Company manages its credit risk through its counterparty ratings and credit limits. The Company is mainly exposed to credit risk on its bank accounts. Bank accounts are with banks that have a minimum credit rating of R-1 (mid) or better (as measured by Dominion Bond Rate Services) or the equivalent thereof according to a recognized bond rating service.

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand.

Market Risk

The significant market risk exposures to which the Company is exposed are foreign currency risk and interest rate risk.

Foreign currency risk – The Company maintains a portion of its cash in Canadian dollars. The Company's operations are conducted in U.S. dollars. The Company's operating results and cash flows are affected to varying degrees by the changes in the Canadian dollar vis-à-vis the U.S. dollar. Company expenditures are incurred predominately in U.S. dollars.

Interest rate risk – The Company's bank accounts earn interest income at variable rates. The Company's future interest income is exposed to changes in short-term rates.

c) Inventories (Section 3031)

This standard prescribes the accounting treatment for inventories. While this standard has been adopted, it has no financial statement impact to the Company.

Expressed in United States Dollars Unless Otherwise Noted

4. COMPREHENSIVE INCOME (LOSS)

The following table reconciles the changes in accumulated other comprehensive income (loss) for the quarters ended March 31, 2008 and 2007.

	For the Quarter Ended March 31	
	2008	2007
Accumulated other comprehensive income (loss), beginning of period	$ 3,282,000	$ (2,000)
Other comprehensive income:		
Unrealized gains on adoption of U.S. functional currency	$ -	$ 3,284,000
Accumulated other comprehensive income, end of period	$ 3,282,000	$ 3,282,000

5. ACQUISITIONS

On February 20, 2007, the Company acquired all of the issued and outstanding membership interests of Summit for cash consideration of $34,043,000. 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 million cubic feet of gas per day (MMcfgpd) production facility tied into the existing regional pipeline infrastructure.

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 $1,458,000.

In February 2007, the Company also acquired from certain other participants an additional 17.4175% interest in the Marsh Island project for consideration of $21,263,000. The consideration paid included the issuance of 393,267 shares of stock with a value of $474,000.

In connection with the above transactions and the private placement described in Note 8(a) to the audited annual consolidated financial statements, the Company issued 2.2 million common shares as a finders' fee to third parties. An additional 5 million common shares were issued under the terms of certain assignment agreements pursuant to which the Company was granted the opportunity to acquire Summit. The deemed value of the 7.2 million shares issued was $8,661,000.

Expressed in United States Dollars Unless Otherwise Noted

The total consideration, including other related properties and transaction costs, for the above acquisitions was $65,425,000. The allocation of the purchase price is as follows:

Petroleum and natural gas properties	$ 63,881,000
Working capital	2,707,000
Asset retirement obligation	(1,163,000)
	$ 65,425,000

On May 8, 2007, the Company closed on the acquisition of the Gulf of Mexico Assets from Pearl Exploration and Production Ltd., an affiliated company. The Gulf of Mexico Assets were acquired in exchange for 10 million common shares with a deemed value of $24,764,000.

6. INVESTMENTS

Investments at March 31, 2008 consist of the following.

	March 31, 2008	
	Par Value	Market Value
Federal Home Loan Bank Notes	$ 21,335,000	21,392,000
Federal National Mortgage Association Notes	2,025,000	2,030,000
Federal Home Loan Mortgage Corporation Notes	750,000	751,000
Bank Certificate of Deposit	75,000	75,000
	$ 24,185,000	24,248,000

With the exception of the bank certificate of deposit, all of the above investments mature prior to June 30, 2008, are readily marketable and are guaranteed by the United States Federal Government.

7. PETROLEUM AND NATURAL GAS PROPERTIES

	March 31, 2008		
	Cost	**Accumulated Depletion**	**Net**
Petroleum and natural gas	$ 75,866,000	$ (3,669,000)	$ 72,197,000
Office equipment	155,000	(20,000)	$ 135,000
	$ 76,021,000	$ (3,689,000)	$ 72,332,000

Expressed in United States Dollars Unless Otherwise Noted

8. 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, 2007	308,256,088	$ 250,835,000	$ 2,237,000
Issued for cash:			
- warrants exercised	500,000	50,000	
- fair value portion of warrants exercised		14,000	(14,000)
Issued during the period:			
- stock options granted			89,000
Balance - March 31, 2008	308,756,088	$ 250,899,000	$ 2,312,000

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 Cdn $0.10 per share.

No options were granted under the plan during the three month period ended March 31, 2008. The number of outstanding options at March 31, 2008 was 3,215,000 at a weighted average exercise price of Cdn $1.37 per share.

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.

Expressed in United States Dollars Unless Otherwise Noted

Stock option compensation expense for the three months ended March 31, 2008 was $89,000.

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, 2007, the Company had share purchase warrants outstanding to purchase 500,000 shares at Cdn $0.10 per share, exercisable by January 9, 2008. All of these warrants were exercised on January 8, 2008. At March 31, 2008, the Company had no warrants outstanding.

9. ASSET RETIREMENT OBLIGATION

The total future asset retirement obligation was estimated based on the Company’s net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. At December 31, 2007, the total undiscounted amount of the estimated cash flows required to settle the asset retirement obligations was approximately $2,300,000, which will be incurred over the next 20 years with 60% of the costs incurred between 2008 and 2012.

10. INCOME TAXES

At December 31, 2007, the Company has available to carryforward the following:

		December 31, 2007
Canadian losses from operations	$	796,000
Canadian exploration expenses		3,240,000
Canadian unamortized share issue costs		7,460,000
U.S. Federal losses from operations		53,349,000
U.S. Federal - tax basis over carrying values of properties		22,846,000

The Canadian losses from operations may be used to offset future Canadian taxable income and will expire over the period from 2010 to 2026. 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 2008 to 2011. The U.S. Federal losses are available to offset future taxable income in the United States through 2027.

11. SIGNIFICANT CUSTOMERS

The Company has oil and natural gas sales to significant customers accounting for 68% and 29% of total oil and natural gas revenues for the three months ended March 31, 2008. For the three months ended March 31, 2007, oil and natural gas sales to significant customers accounted for 82% and 16% of revenues.

12. RELATED PARTY TRANSACTIONS

Namdo Management Services Ltd. (Namdo) provides administrative support to the Company under an agreement which commenced April 1, 2007. The amount paid to Namdo during the three months ended March 31, 2008 and 2007 was $66,000 and $nil, respectively. Namdo is a private corporation owned by a shareholder of the Company.

During the three months ended March 31, 2008 and 2007, the Company incurred legal fees of $4,000 and $nil, 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 $122,000 and $nil, respectively, during the three months ended March 31, 2008 and 2007 with a G&G firm in which an officer of the Company is a managing partner.

13. COMMITMENTS

The Company enters into commitments and contractual obligations in the normal course of business, including the purchase of services, farm-in agreements, seismic data acquisition agreements and lease agreements. The Company has agreed to purchase seismic data totaling $3,059,000 during the remainder of 2008.

14. SUBSEQUENT EVENT

In April 2008, the Company granted 3,595,000 stock options to employees, directors and consultants at an exercise price of Cdn $0.48, vesting over two years and expiring in three years.

BAYOU BEND PETROLEUM LTD.

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Director
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Keith C. Hill
Director
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Director
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Chairman
Vancouver, British Columbia

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President & Chief Executive Officer
New Orleans, Louisiana

William D. Hoffman
Chief Financial Officer
New Orleans, Louisiana

Kevin E. Hisko
Corporate Secretary
Vancouver, British Columbia

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