Financial Statements

Gulf & Pacific Equities Corp.

Three Months Ended March 31, 2006

Unaudited

INDEX

NOTICE TO READER

The accompanying unaudited interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these financial statements.

Gulf & Pacific Equities Corp.

Balance Sheets

	March 31, 2006 (unaudited)	December 31, 2005
Assets		
Revenue-producing properties	$ 13,885,721	$ 12,800,887
Cash	482,066	625,231
Deferred financing and leasing costs	224,793	244,247
Prepaid expenses	64,088	55,538
Accounts receivable	87,499	52,240
Accrued rent receivable	105,987	82,873
Capital assets	2,116	2,262
	$ 14,852,270	$ 13,863,278
Liabilities		
Mortgages payable	$ 8,842,034	$ 8,904,569
Convertible debentures (note 3)	2,350,132	2,286,978
Bank loan	1,015,102	-
Accounts payable and accrued liabilities	883,932	781,187
	13,091,200	11,972,734
Shareholders' Equity		
Share Capital (note 4)	2,285,363	2,265,871
Paid-in Capital	420,000	420,000
Equity Component of Convertible Debentures	1,117,552	1,122,460
Contributed Surplus	100,040	100,040
Warrants	202,400	202,400
Deficit	(2,364,285)	(2,220,227)
	1,761,070	1,890,544
	$ 14,852,270	$ 13,863,278

Approved on behalf of the Board

(signed) "Anthony J. Cohen" , Director

(signed) "David A. Wright" , Director

Gulf & Pacific Equities Corp.

Statements of Operations and Deficit
Three Months Ended March 31, 2006 and 2005
Unaudited

	2006	2005
Revenue		
Rental	$ 355,744	$ 361,532
Common area and realty tax recoveries	98,975	105,801
Interest and other	9,983	8,521
	464,702	475,854
Expenses		
Interest	307,370	281,530
Operating costs and realty taxes	139,961	130,832
Amortization	60,824	62,034
Administration	100,605	92,485
	608,760	566,881
Net Loss for the period	(144,058)	(91,027)
Deficit - beginning of period	(2,220,227)	(1,712,925)
Deficit - end of period	$ (2,364,285)	$ (1,803,952)
Loss per Common Share - Basic and Diluted	$ (0.02)	$ (0.01)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	7,562,103	7,506,371

Gulf & Pacific Equities Corp.

Cash Flow Statements
Three Months Ended March 31, 2006 and 2005
Unaudited

	2006	2005
Cash Provided By (Used In):		
Operating Activities		
Net loss	$ (144,058)	$ (91,027)
Step rental revenue	(23,114)	(1,021)
Accretion of discount on convertible debentures	77,738	58,540
Amortization of deferred financing and leasing costs	16,412	15,567
Amortization of revenue-producing properties	60,678	61,834
Amortization of capital assets	146	200
	(12,198)	44,093
Changes in non-cash balances related to operations:		
Prepaid expenses	(8,550)	(9,796)
Accounts receivable	(35,259)	(25,541)
Deferred financing and leasing costs	3,042	-
Accounts payable and accrued liabilities	102,745	97,195
	49,780	105,951
Financing Activities		
Cash held in trust	-	211,747
Bank loan	1,015,102	-
Repayment of mortgages payable	(62,535)	(262,767)
	952,567	(51,020)
Investing Activity		
Additions to revenue-producing properties	(1,145,512)	-
Increase (Decrease) in Cash	(143,165)	54,931
Cash - beginning of period	625,231	1,814,430
Cash - end of period	$ 482,066	$ 1,869,361

1. Nature of Operations

The Corporation was incorporated as Gulf & Pacific Equities Corp. under the Business Corporations Act (Alberta) on April 8, 1998 and on June 17, 1998 filed Articles of Amendment to remove certain private corporation restrictions. The Corporation is listed on the TSX Venture Exchange. The Corporation commenced active operations during the 1999 fiscal year. The Corporation owns and operates commercial properties in Alberta and British Columbia.

2. Interim Financial Statements

The accompanying unaudited interim financial statements have been prepared by the Corporation in accordance with Canadian generally accepted accounting principles on a basis consistent with those followed in the most recent audited financial statements. These interim financial statements have not been reviewed by the Corporation's auditors.

The notes presented in these unaudited interim financial statements include only significant events and transactions and are not fully inclusive of all matters required by Canadian generally accepted accounting principles for annual audited financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with the audited financial statements and accompanying notes for the years ended December 31, 2005 and 2004.

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current period.

3. Convertible Debentures

	March 31, 2006		December 31, 2005	
	Face Value	Carrying Amount	Face Value	Carrying Amount
8% debentures	$ 3,260,000	$ 2,350,132	$ 3,260,000	$ 2,286,978

The face value of the convertible debentures consists of the following:

(i) $60,000 of the convertible debentures are callable by the Corporation after January 1, 2004, mature January 1, 2007 and can be converted by the holder into common shares of the Corporation at one common share for each $0.38 principal amount of debentures.

(ii) $900,000 of the convertible debentures bear interest at 8%, mature September 1, 2007 and can be converted by the holder into common shares of the Corporation at one common share for each $0.40 principal amount of debentures.

Initially, the $900,000 was in the form of a 14% convertible debenture with a five year term and was unsecured. During the second quarter of 2004, the Corporation obtained the consent of the holders of 14% convertible debentures to change the terms of the debentures. Effective April 15, 2004, the debentures bear interest at 8% and the term of the debentures was extended to September 1, 2007.

3. Convertible Debentures (continued)

The face value of the re-issued convertible debentures was allocated as follows:

Debenture	$	372,000
Conversion feature		528,000
	$	900,000

(iii) $2,300,000 of convertible debentures bear interest at 8%, mature November 18, 2009 and are unsecured. The debentures can be converted by the holder into common shares of the Corporation at the following rates: one common share for each $0.315 principal amount of debentures converted during the first two years from the closing date; one common share for each $0.350 principal amount of debentures converted during the third year from the closing date; $0.385 principal amount of debentures converted during the fourth year from the closing date; and $0.425 principal amount of debentures converted during the fifth year from the closing date. The Corporation has the option to redeem the debentures at any time prior to maturity for the aggregate of the face value of the debentures plus earned interest. The Corporation has the right to force early conversion of the debentures in the event that the common shares of Corporation trade for a period of five consecutive days (a "Trading Period") at a price equal to or above the following prices and the cumulative trading volume of the common shares of the Corporation during this Trading Period represents not less than 5% of Corporation's issued and outstanding common shares: $0.60 per common share at any time during the two year period from the closing date; and $1.00 per common share at any time during the third, fourth and fifth years from closing date.

These convertible debentures were issued on November 18, 2004 in connection with a private placement. The Corporation issued 2,300 units at $1,000 per unit. Each unit consisted of an unsecured convertible debenture in the amount of $1,000 and 1,500 common share purchase warrants.

In 2004, the Corporation used the following assumptions to measure the fair value of the debenture and common share purchase warrants: discount rate of 18%; dividend yield of 0%; and a volatility factor of the expected market price of the Corporation's shares of 40%. The cash proceeds received per unit less the fair value of the debenture and common share purchase warrants was allocated the conversion feature. The unit price was allocated as follows:

	Per Unit	Allocation of Proceeds
Debenture	$ 679	$ 1,561,930
Conversion feature	245	564,420
Warrants	76	173,650
	$ 1,000	$ 2,300,000

3. Convertible Debentures (continued)

Aggregate proceeds from the private placement were $2,300,000 before deducting agent's cash commission of $184,000 and the offering expenses of $157,904. The Corporation also granted 575,000 common share purchase warrants to the agent.

Private placement costs of $370,654 include $341,904 cash settled amounts and $28,750 fair value of common share purchase warrants granted. The private placement costs were allocated as follows: $251,711 deferred financing costs and $118,943 issue costs.

4. Share Capital

	March 31, 2006	December 31, 2005
(a) Authorized:		
Unlimited preference shares		
Unlimtied common shares		
Issued and fully paid:		
7,569,863 common shares (2005 - 7,506,371)	$ 2,285,363	$ 2,265,871

The Corporation granted options for 320,000 common shares to the directors and officers of the Corporation during the second quarter of 2005. The options are exercisable at $0.305 per share, are non-transferable and expire June 1, 2010. Options granted vest to the directors and officers of the corporation immediately upon issue.

Compensation expense of $39,040 was recorded in 2005 in connection with these options and has been recorded as contributed surplus. The fair value of the options granted to the directors and officers by the Corporation was determined using the Black-Scholes option pricing model. The Corporation used the following weighted average assumptions in the period: risk-free interest rate of 3.331%; dividend yield of 0%; a volatility factor of the expected market price of the Corporation's shares of 40%; and an expected option life of 5 years. The estimated fair value of options issued to the directors and officers was $0.122 per option.

(b) Stock-based Compensation

At March 31, 2006 and December 31, 2005, 701,650 options which had been granted to certain directors, officers, employees and consultants to purchase common shares of the Corporation subject to various requirements were outstanding as follows:

Outstanding	Exercisable	Year of Grant	Exercise Price per Option	Expiry Date
381,650	381,650	2003	$ 0.180	August 26, 2008
320,000	320,000	2005	$ 0.305	June 1, 2010
701,650	701,650			

4. Share Capital (continued)

On April 25, 2006, 50,000 options were granted to a director to purchase common shares of the Corporation at an exercise price of $0.305 per share expiring on April 25, 2011.

On May 16, 2006, 100,000 options were exercised to purchase common shares of the Corporation at $0.305 per share and 60,000 options were exercised at $0.18 per share.

5. Warrants

The Corporation issued 4,025,000 warrants in 2004 in connection with a private placement. Each warrant entitles the holder to acquire a common share of the Corporation for $0.40 until November 18, 2006. The Corporation has the right to accelerate the exercise period of the warrants to 30 days from the end of the Trading Period if the common shares of the Corporation trade at a price of $0.60 or more per common share for a Trading Period and the cumulative trading volume of the common shares of the Corporation during this Trading Period represents not less than 5% of Corporation's issued and outstanding common shares.

6. Related Party Transactions

During the three months ended March 31, 2006, the Corporation:

a) charged a related party rent totalling approximately $5,607 (2005 - $5,607). The companies are related by virtue of the fact that they have the same President and Chief Financial Officer.

b) charged a related party rent totalling approximately $3,000 (2005 - $3,000). The companies are related by virtue of the fact that they have the same President and Chief Executive Officer.

c) was charged management fees of $6,000 (2005 - $6,000) by a shareholder. In addition, an amount of approximately $71,842 was paid to this shareholder during the period relating to a service fee. This amount has been capitalized to the construction-in-progress.

d) was charged consulting fees of $9,000 (2005 - $Nil) by an officer.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.