GULF & PACIFIC
EQUITIES CORP.

Dear Shareholders,

On behalf of the Board of Directors of Gulf & Pacific Equities Corp. I am pleased to present to you the 2007 audited annual statements for Gulf & Pacific Equities Corp. (TSX-V: GUF).

2007 was a year of consolidation for Gulf & Pacific Equities Corp., as we worked through the challenges of adding a fifth property to our holdings with the addition of Tri-City Mall in Cold Lake, which effectively doubled the size of the company to rentable space of 338,114 sq. ft., annual revenue of $4,490,005 and an asset base of $30,115,838 based on book value. As well, we are reporting to our shareholders Funds From Operations (FFO) of $0.07 for the year ended December 31, 2007.

Looking forward to 2008, the company intends to embark on the next stage of our growth strategy through the acquisition of new properties or through the intensification of existing properties. A recent visit to our three flagship malls in Northern Alberta by directors of the company has confirmed the success of the purchase of Tri-City Mall and re-affirmed our need to rapidly capitalize on the tremendous growth opportunities in Western Canada.

Management recognizes that paramount to our growth strategy is to secure equity financing for acquisitions or construction loans for intensification. Given the current sub-prime situation circulating in the financial markets, standard mortgage financing will be difficult to obtain in the small markets where our properties are located. In addition, the drop in interest rates is offset by the increase in lenders' spreads, thus resulting in increases in the effective mortgage rate for most small market borrowers.

In this regard, management is working to secure a new financing package to cover the various loans and debentures due upon maturity and to provide funds for our growth strategy.

As well, the company recently announced a Normal Course Issuer Bid in March 2008. It is the company's view that the current stock price does not accurately reflect the inherent value of the company. Based, on current market values of similar properties in Western Canada, the company feels that the share price should be substantially higher and the company continues to communicate this with investors in the market.

At Tri-City Mall, we have signed a number of new leases in 2007 and vacancy is now less than 6% at this time. The city of Cold Lake is experiencing tremendous growth and we have been approached by a number of tenants who are interested in new space at Tri-City Mall. This mall is one that is targeted for intensification by management.

I am pleased to report that our Valley Centre Mall, in Whitecourt Alberta, remains 100% leased. Given the growth in the region, this mall is ideal for our intensification strategy, as we have had inquiries for space from a national retailer interested in locating at Valley Centre Mall.

Our St. Paul Shopping Centre is targeted for redevelopment, as the lease with Sobeys expires in September 2008. We are negotiating with a national tenant to locate at the mall and we hope to be able to make a positive announcement in the near future.

Our property at Three Hills continues to generate steady rental income from The Bargain! Shop. At the writing of this report, we received notice from Saan Stores Limited that they have repudiated their lease at our property in Merritt, B.C.. The company views this as positive, as we anticipate that a new tenant will be secured at a higher rent.

We are focused on maintaining a strong relationship with our many quality tenants such as Guardian Drugs, Petro Canada, Reitmans, Rexall Drug Stores, Saan Stores Limited, Sobeys and The Bargain! Shop. To view a complete list of our tenants please visit our new website at www.gpequities.com.

As always, I would like to thank our loyal shareholders, our Board of Directors for their invaluable contribution and wise counsel, our consulting professionals, Mr. Kim Donais of West Horizon Properties, our property manager for our five properties, my Executive Assistant Susan Barrowclough and my family for your help and support over the past twelve months.

Yours truly,

(signed) “Anthony J. Cohen”
Anthony J. Cohen
President
April 24, 2008

MANAGEMENT DISCUSSION AND ANALYSIS

Gulf & Pacific Equities Corp. ("Gulf & Pacific" or the "Corporation") was incorporated 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. Gulf & Pacific is focused on the acquisition, management and development of anchored shopping centres in Western Canada.

This MD&A is prepared as of April 24, 2008. It contains certain forward-looking statements that involve known and unknown risks and uncertainties that are beyond Gulf & Pacific's control.

Results of Operations

Balance Sheets

On the balance sheet, total assets stood at $30,115,838 as of December 31, 2007, compared to $30,905,971 as of December 31, 2006. The decrease of $790,133 in total assets was primarily due to the reclassification of deferred financing costs, normal amortization of the revenue producing properties and intangible assets, offset by increases in cash, accounts receivable and accrued rent receivable. This represents the first full year of operations with all five properties in place with the value of the amortization represented by a decrease of $586,038 for the year.

Our cash balance increased by $69,804 during the twelve months to $191,544 at December 31, 2007, up from $121,740 as of December 31, 2006. This increase was largely due to the increase of rental income resulting from the addition of Tri-City Mall and the fully leased Valley Centre Mall. Intangible assets decreased to $675,438 representing the lease origination costs, tenant relationships and above-market leases assumed on acquisition of Tri-City Mall, net of related accumulated amortization. Prepaid expenses increased by $15,826 mostly due to professional fees incurred in advance of new lease commitments with potential tenants. Accounts receivable increased from $137,581 as of December 31, 2006 to $376,792 as of December 31, 2007 due to outstanding realty taxes and common area costs reflecting the larger operations of the company with Tri-City Mall in place. Similarly, accrued rent receivable increased by $131,914, an increase of 139%, reflecting a full year of operations where rental revenue doubled as a result of the addition of Tri-City Mall.

With respect to liabilities, mortgages payable decreased to $23,189,762 as of December 31, 2007 up from $23,878,873 as of December 31, 2006 due to reclassification of associated deferred financing costs and regular repayment of mortgages on the Corporation's properties. Convertible debentures decreased to $2,495,704 as of December 31, 2007 from $2,529,310 as of December 31, 2006 due to a reclassification of associated deferred financing costs. In accordance with generally accepted accounting principles, the convertible debentures are carried at an amount that increases as time passes (see note 8 to the audited financial statements) reflecting a non cash allocation within the balance sheet. The purchase price payable of $658,776 represents an agreement whereby the Corporation is obliged to pay the amount if the Tri-City Mall becomes fully leased subsequent to the purchase. Since the Corporation expects to fully lease the property in 2008, this obligation has been fully provided for and added to the cost of the acquisition. The loans payable of $1,000,000 represent two related party loans of $500,000 each used in the purchase of the Tri-City Mall. These loans were extended for 12 months during the year (see note 9). The intangible liabilities of $753,307 represent the below market tenant leases assumed on acquisition of Tri-City Mall, net of related accumulated amortization. Accounts payable and accrued liabilities increased to $766,594 as of December 31, 2007 from $539,071 as of December 31, 2006 due mainly to increases in accrued liabilities, a non-cash item, and the normal operations of a larger company from the previous year.

Total liabilities decreased to $28,864,143 as of December 31, 2007 from $29,545,996 as of December 31, 2006, a decrease of $861,853. This decrease is primarily due to the reclassification of deferred financing costs and normal decreases in mortgages payable and intangible liabilities, offset by increases in accounts payable and accrued liabilities.

Shareholders' equity stood at $1,251,695 as of December 31, 2007 compared to $1,359,975 as of December 31, 2006. The decline was due to the Corporation's deficit increasing to $3,396,109 from $2,995,768 as a result of the net loss as explained below.

Statements of Operations

For the year ended December 31, 2007 revenue increased to $4,490,005 from $2,086,323 as of December 31, 2006, an increase of 115.2%. The increase was primarily a result of the board of directors' decision to purchase Tri-City Mall in 2006 which effectively doubled the size of the company. Accordingly, rental income increased by $1,578,000 and common area and realty tax recoveries increased by $859,075 for the year. As well, new leases and renewal leases have been signed with new and existing tenants during the year.

For the period ended December 31, 2007, expenses rose to $4,875,832 from $2,850,561 as of December 31, 2006, an increase of $2,025,271 or 71.1 %. The reasons for the increase in expenses were primarily a $733,772 increase in interest expense related to a full year of operations with the mortgages, loans and debentures outstanding and a $1,024,486 increase in operating coats and realty taxes, once again reflecting the larger operations of the company. As well, an increase in administration expenses of $96,828 due primarily to professional fees, directors fees, salary, transfer & filing fees, and a cost effective IT expense related to the new outsourced web-enabled IT system, implemented in January 2007, which allows for full access to office files from anywhere in the world, offset by decreases in office expenses. In addition, a non-cash amortization expense increase of $176,346 was recorded. Stock-based compensation costs of $77,204 were recorded in 2007 compared to $83,365 in 2006. Management remains focused on controlling costs and operating efficiently.

Loss for the year ended December 31, 2007 was $385,827 compared to $764,238 as of December 31, 2006. As a result, loss per share of $0.05 in 2007 compared to a loss per share of $0.10 in 2006, representing a dramatic year to year improvement.

Statements of Cash Flows

On the statements of cash flows, cash provided by operations totaled $543,268 for the year ended December 31, 2007 compared to cash used in operations of $198,167 for the year ended

December 31, 2006. This represents a Funds From Operations (FFO) of $0.07 per share for the year.

Cash flow from operations before changes in non-cash items improved from $124,460 to $566,228, as a result of the increased rental income from a full year of operations with the five revenue producing properties. Financing activities used $465,218 in funds for the year ended December 31, 2007 compared to $14,176,062 in funds provided for the year ended December 31, 2006. The main change was the repayment of mortgages payable during the year and no new financing in 2007. For the year ended December 31, 2007, $8,246 was invested in revenue producing properties compared to $14,481,386 being invested for the year ended December 31, 2006. As at December 31, 2007 the Corporation had $191,544 in cash compared to $121,740 as of December 31, 2006, mainly as a result of the full year increase in rental income 2007.

Liquidity

The Corporation had cash of $191,544 as of December 31, 2007. Management feels that it has adequate liquidity with which to carry on its operations for fiscal 2008.

Off-Balance Sheet Arrangements

The Corporation had no off-balance sheet transactions for the year ended December 31, 2007 or the year ended December 31, 2006.

Changes In Accounting Policies

There have been no changes in accounting policies. A new accounting policy relating to financial instruments is described in note 2 to the audited financial statements.

Financial Instruments

Financial instruments with substantive characteristics of both a financial liability and equity instrument are accounted for using the split accounting method to provide separate classification of the liability and equity elements. The initial liability balance recognized is less than the cash required to be repaid at maturity. Therefore, the liability balance is accreted over the term of the debt. The accretion represents the sum of the contractual interest rate applied to the principal plus amortization of the debt discount. The accretion of the original debt discount is charged to interest expense over the term of the debt.

The Corporation finances operations and capital acquisitions through the issuance of common shares, convertible debentures and warrants. The debt component of the convertible debentures is reflected as a financial liability (see note 8 to the audited financial statements) and the equity component of the convertible debenture is included in shareholders' equity.

Outstanding Share Data

The Corporation is authorized to issue an unlimited number of common shares without par value. As at December 31, 2007, the Corporation had issued and outstanding 8,672,303 common shares with a recorded value of $2,749,312.

The Corporation is also authorized to issue an unlimited number of preference shares without par value, of which none have been issued.

Related Party Transactions

During the year, the Corporation charged related parties rent totaling approximately $34,641 (2006 - $34,911). The companies are related by virtue of the fact that they have the same President and Chief Financial Officer. As at December 31, 2007, included in accounts receivable is an amount of $11,810 (2006 - $9,180) due from these related parties.

During the year, the Corporation was charged consulting fees of $66,000 (2006 - $36,000) by an officer.

During the year, the Corporation incurred accounting fees of $91,750 (2006 - $85,500) with an accounting firm in which one of the Corporation's officers is a partner. As at December 31, 2007, accounts payable and accrued liabilities included $55,010 (2006 - $85,500) payable to this accounting firm.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Corporation's Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining the Corporation's disclosure controls and procedures and internal control over financial reporting for the issuer. They are assisted in this responsibility by the Management Team. The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Corporation's disclosure controls and procedures and the design of internal controls over financial reporting at December 31, 2007, have concluded the Corporation's disclosure controls and procedures and design of internal control over financial reporting are adequate and effective to ensure that material information relating to the Corporation would have been known to them.

Risk and Uncertainties

The Corporation depends on several national retail chains for a significant part of its income. If any of these chains were adversely affected by economic or business conditions, it would have a negative impact on the Corporation. The Corporation would also be adversely affected by a long standing large increase in interest rates or a severe economic slow down.

OUTLOOK

Management is optimistic about the outlook for the balance of 2008. The economies of Alberta and British Columbia remain one of the strongest in the country. We are well positioned to benefit from the continuing growth in Western Canada.

In 2005, Gulf & Pacific Equities Corp. was named the 22nd fastest growing company in Canada by "Profit" magazine, a Rogers publication. In 2006, we made the list again as the 162nd fastest growing company in Canada.

On behalf of the Board of Directors,

(signed) "Anthony J. Cohen"
Anthony J. Cohen
President
April 24, 2008

Summary of Quarterly Financial Information

The quarterly financial results for fiscal year ended 2007 and 2006 are summarized as follows:

	Three Months Ended (Audited / Unaudited)			
	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007
Revenue	$ 1,140,880	$ 1,187,576	$ 1,109,935	$ 1,051,614
Net Income (Loss) for the Period	50,186	(208,263)	(205,078)	(22,672)
Earnings (Loss) per common share - basic and diluted	0.01	(0.03)	(0.02)	-

	Three Months Ended (Audited / Unaudited)			
	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
Revenue	$ 581,551	$ 543,844	$ 496,226	$ 464,702
Net Income (Loss) for the Period	(176,308)	(166,530)	(277,342)	(144,058)
Earnings (Loss) per common share - basic and diluted	(0.02)	(0.02)	(0.04)	(0.02)