GULF & PACIFIC EQUITIES CORP.

# MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2011

This Management Discussion and Analysis ("MD&A") of Gulf & Pacific Equities Corp (the "Company") provides analysis of the Company's financial results for the year ended December 31, 2011. The following information should be read in conjunction with the accompanying 2011 audited financial statements and the notes to the audited financial statements.

The audited financial statements and related notes of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Refer to the Notes of the December 31, 2011 audited financial statements for disclosure of the Company's significant accounting policies. The Company's functional and reporting currency is the Canadian dollar.

Gulf & Pacific Equities Corp is publicly traded on the TSX Venture Exchange (TSX-V: **GUF**).

## International Financial Reporting Standards

The Canadian Accounting Standards Board requires publicly accountable enterprises such as the Company to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the Company's audited financial statements for the year ended December 31, 2011 have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

The December 31, 2011 audited financial statements is the Company's first reporting under IFRS, thus, First-time Adoption of IFRS (IFRS 1) is applicable. In accordance with IFRS 1, the Company has applied IFRS retrospectively as of January 1, 2010 (the Transition Date) for comparative purposes. In preparing our opening balance sheet in accordance with IFRS, we have adjusted amounts reported previously in our financial statements prepared in accordance with pre-conversion Canadian GAAP.

Accordingly comparative information included in the December 31, 2011 audited financial statements and MD&A have been restated in accordance with IFRS. In this document, the term Canadian GAAP refers to Canadian GAAP before the adoption of IFRS. For further information, please refer to the Company's audited financial statements and notes for year ended December 31, 2011.

## Date of Report

This report is prepared as of April 30, 2012.

## Forward Looking Statements

This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address the Company's ability to lease vacant property units, collect minimum rents, diversify its tenant base, undertake land intensification projects, refinance loans, debentures and mortgages at their maturity, complete accretive acquisitions and other events that impact the growth of the Company are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include interest rates, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Additional information including press releases have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and are available online under our profile at www.sedar.com or the Company's website at www.gpequities.com.

## Company Overview

Gulf & Pacific Equities Corp. 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 Company is listed on the TSX Venture Exchange (TSX-V: GUF). The Company 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.

The Company's current portfolio consists of 4 properties located in Northern Alberta and in British Columbia. In Northern Alberta, the flagship property is Tri-City Mall located in Cold Lake, Alberta with gross lease area of 142,208 sq. ft., St. Paul Shopping Centre, in St. Paul, Alberta with gross lease area of 69,089 sq. ft. and a stand alone property in Three Hills, Alberta with 9,003 sq. ft. of lease space. The Merritt property in British Columbia consists of two lots with gross lease area of 11,980 sq. ft..

## Year Ended December 31, 2011 Highlights

In the year ended December 31, 2011, the Company:

- Completed the sale of Valley Centre Mall for $11 million on October 18, 2011
- Retired outstanding loans and residual debentures in 2011
- Worked on refinancing of mortgages due in 2011, which was closed on February 23, 2012 for $14.5 million in new mortgages at 5.25%

- Year end result is that the Company is in strong financial position for 2012 with
  - ✓ Mortgages due in 2017
  - ✓ Debentures due in 2014 and 2015
  - ✓ No short term liabilities
  - ✓ Strong cash position
- Two new anchor tenants secured for the St. Paul Shopping Centre which were officially announced in April, with Liquidation World Inc. and North West Company LP (Giant Tiger) being the two new anchor tenants in the mall
- Potential tenants for remaining vacancies in St. Paul Shopping Centre and Tri-City Mall
- Quarter to quarter revenue remains stable, with good outlook for 2012 due to potential revenue growth from new tenants at Tri-City Mall and St. Paul Shopping Centre

## Overall Performance

Statements of Financial Position

The December 31, 2011 audited financial statement is the first year the Company's statements have been reviewed using the IFRS standards. Please refer to the audited financial statement and the notes to the audited financial statements for the adjustments from Canadian GAAP to IFRS as of January 1, 2010.

On the Statements of Financial Position, total assets stood at $30,188,616 as of December 31, 2011, compared to $38,266,595 as of December 31, 2010, as reported under IFRS.

The decrease of $8,077,979 in total assets was primarily due to the sale of Valley Centre Mall in October of 2011 resulting in decreases in investment properties, accrued rent receivable and prepaid expenses, offset by increases in cash and accounts receivable due primarily to cash from the sale.

Our cash balance increased by $882,371 during the twelve months to $946,753 at December 31, 2011, from $64,382 as of December 31, 2010 due mostly to revenue from the sale of Valley Centre Mall and normal operations of the company.

Other amounts receivable increased from $91,925 at December 31, 2010 to $1,073,209 as of December 31, 2011 due mainly to the remaining payment of $1,000,000 from the sale of Valley Centre Mall which is due on November 18, 2012. Net of this one item, the other amounts receivable actually decreased to $73,209 due to outstanding rents, realty taxes and common area costs.

Total prepaid expenses for the company decreased to $78,654 at year ended December 31, 2011 from $370,288 as of December 31, 2010, as a result of receiving the $240,000 of prepaid mortgage interest during the year, IFRS adjustments for past prepaid leasing expense, offset by expenses incurred for refinancing of the mortgages which was completed in February 2012 and normal operations such as prepaid rent.

Investment properties decreased to $28,090,000 as of December 31, 2011 from $37,740,000 as a result of the sale of one of the properties and adjustments in annual fair value determination of the properties (see note 4 of the audited annual financial statement).

With respect to liabilities, mortgages payable decreased to $14,343,817 as of December 31, 2011 down from $21,989,956 as of December 31, 2010 due to the buyer assuming the mortgage for Valley Centre Mall as a result of the sale and regular repayment of mortgages on the Company's properties.

Convertible debentures increased to $3,367,975 as of December 31, 2011 from $2,343,706 as of December 31, 2010. The increase is due to disinterested shareholders approval on June 9, 2011 of the convertible feature of the $1,115,000 series debenture announced in November 2010, offset by the conversion by debenture holders of $18,750 during the year. The convertible debentures are carried at an amount that increases as time passes (see note 8 to the audited annual financial statements) reflecting a non-cash allocation within the balance sheet.

The purchase price payable of $658,776 represents an agreement whereby the Company is obliged to pay the amount if the Tri-City Mall becomes fully leased subsequent to the purchase. Since the Company expects to fully lease the property in 2012, this obligation has been fully provided for.

The loans payable of nil as of December 31, 2011 represents full payments during the year of all outstanding loans. During the year, the loan with an original amount of $1,000,000 was converted to an unsecured convertible debenture (see note 10 to the audited annual financial statements). The second loan in the original amount of $265,000 which was incurred during 2010 and was secured by a 2nd mortgage on one of the properties was paid on maturity on December 21, 2011.

Deferred income taxes of $1,175,000 as of December 31, 2011 represents the tax effects of temporary differences that gives rise to significant portions of the future tax assets and future tax liabilities for the company.

Accounts payable and accrued liabilities decreased to $520,274 as of December 31, 2011 from $1,039,301 as of December 31, 2010 due mainly to normal payments such as property taxes, common area expenses and debenture interest.

Total liabilities decreased to $20,065,842 from $28,594,739 as of December 31, 2010. This decrease is primarily due to assumption of the mortgage on the sold property by the buyer, the shareholders' June 9, 2011 approval of the convertible feature and the resulting accounting for the equity component within the convertible debenture, payments for mortgages payable for the quarter, and payment of outstanding accounts payable & accrued liabilities.

Shareholders' equity stood at $10,122,774 as of December 31, 2011 compared to $9,671,856 as of December 31, 2010, as reported under IFRS. The increase was mostly due to the equity component of convertible debentures and contributed surplus.

Statements of Comprehensive Income

For the year ended December 31, 2011 revenue decreased to $3,495,875 from $3,829,121 for the same period last year. The decrease was primarily a result of reduced revenue due to the sale of Valley Centre Mall, offset by new leases and lease renewals at our other properties. Accordingly, rental income decreased by $245,453 or 8.8% while common area and realty tax recoveries decreased by $93,592 or 9.0% for the period. Interest income increased to $7,629 for the year as a result of the cash invested from the sale of the property.

For the year ended December 31, 2011, expenses increased to $4,400,735 from $4,058,842 as of same period last year, an increase of $341,893 or 8.4%. The primary reasons for the increase in expenses are increases in interest expenses of $100,967 or 5.2% due to higher rates in the converting the demand loan to a convertible debenture and higher accretion of convertible debentures, operating costs and realty taxes of $131,678 or 9.2% due to increase expenses from the lease up of St. Paul Shopping Centre, administration of $100,474 or 15.4% due to capital tax payment for the year and IFRS adjustments, and stock-based compensation of $38,497, a non-cash item. Overall, within the normal operations of the company, expenses are holding steady and management remains focused on controlling costs and operating efficiently.

Net income for the year ended December 31, 2011 was $145,954 compared to $1,005,751 for the same period last year. The net income last year is due to IFRS revaluation adjustments. As a result, earnings per share was $0.02 per share in the year ended December 31, 2011 compared to $0.11 earnings per share for the same period in 2010.

Statements of Cash Flows

On the statements of cash flows, cash provided by operations totaled $758,294 for the year ended December 31, 2011 compared to cash provided of $1,640,105 for the same period last year, as a result of IFRS adjustments. This represents a Funds From Operations (FFO) of $0.09 per share for the period.

Financing activities for the year recorded a funds used of $2,373,380 compared to funds used of $1,425,043 for the same period a year ago. This is due to repayment of loans, debentures and mortgages payable for the year offset by proceeds received during the first quarter 2010 for the refinancing and the receipt of mortgage deposit.

As at December 31, 2011, the Company had cash of $946,753 compared to cash of $64,382 at the same time a year ago.

**Selected Annual Information**

The following selected financial data for each of the three most recently completed financial years are derived from the audited annual financial statements of Gulf & Pacific Equities Corp., which were prepared in accordance with International Financial Reporting Standards (“IFRS”) and Canadian generally accepted accounting principles (”C-GAAP”). The 2009 results are presented under C-GAAP and the 2010 and 2011 results are presented under IFRS based on audited statements and have been reviewed by the Company's auditors.

| For the Years Ended December 31, | 2011 (IFRS) | 2010 (IFRS) | 2009 (C-GAAP) |
|---|---|---|---|
| | $ | $ | $ |
| Revenue | 3,495,875 | 3,829,121 | 3,933,594 |
| Income (Loss) before undernoted items | (904,860) | (229,721) | (965,187) |
| Income (Loss) before undernoted items, per share | (0.10) | (0.03) | (0.11) |
| Income (Loss) before undernoted items, per share fully diluted | (0.10) | (0.03) | (0.11) |
| Net income (loss) | 145,954 | 1,005,751 | (965,187) |
| Net income (loss), per share | 0.02 | 0.11 | (0.11) |
| Net income (loss), per share fully diluted | 0.02 | 0.11 | (0.11) |
| Total assets | 30,188,616 | 38,266,595 | 29,443,089 |
| Total liabilities | 20,065,842 | 28,594,739 | 27,978,864 |
| Cash dividends | - | - | - |

## Summary of Quarterly Results

The following selected financial data are derived from the unaudited quarterly financial statements of Gulf & Pacific Equities Corp, which were prepared in accordance with International Financial Reporting Standards for the results from January 1, 2010 to December 31, 2011.

| | 2011 (IFRS) | | | | 2010 (IFRS) | | | |
|---|---|---|---|---|---|---|---|---|
| For the Quarters Ended | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Revenue | 338,452 | 1,052,240 | 1,110,277 | 994,906 | 947,499 | 934,664 | 1,015,427 | 931,531 |
| Income (loss) before undernoted items | (823,333) | (14,951) | (67,735) | 1,159 | (20,741) | (67,672) | (107,215) | (34,093) |
| Income (loss) before undernoted items, per share | (0.09) | - | (0.01) | - | - | (0.02) | (0.01) | - |
| Income (loss) before undernoted items, per share, fully diluted | (0.09) | - | (0.01) | - | - | (0.02) | (0.01) | - |
| Net Income (Loss) | 227,481 | (14,951) | (67,735) | 1,159 | 1,214,731 | (67,672) | (107,215) | (34,093) |
| Net Income (Loss) per share | 0.03 | - | (0.01) | - | 0.13 | (0.01) | (0.01) | - |
| Net Income (Loss) per share, fully diluted | 0.03 | - | (0.01) | - | 0.13 | (0.01) | (0.01) | - |

## Liquidity and Capital Resources

The Company had cash of $946,753 as of December 31, 2011 due primarily to the sale of Valley Centre Mall, which is sufficient to cover the Company's near term cash requirements. If addition capital resources are required, management believes that it has the ability to raise sufficient funds for the continuation of operations. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to obtain the required financing.

## Changes in Accounting Policies

### Transition to International Financial Reporting Standards

In 2008, the Accounting Standards Board announced that Canadian publicly accountable companies would be required to converge Canadian Generally Accepted Accounting Principles (GAAP) with International Financial Reporting Standards (IFRS) effective January 1, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosures.

The Company adopted "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") with the purpose of selecting optional exemptions and certain mandatory exceptions allowed to the Company upon transition to IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively, with specific mandatory exemptions and a limited number of optional exemptions. The Company has elected the following optional exemptions which had significant impact on the Company's results which are explained in note 3 to the audited financial statements:

a) Investment Property

Under IAS 40 – Investment Property, investment property is defined as property held to earn rentals, capital appreciation, or both, rather than for use in the production or supply of goods or services, administrative purposes, or for sale in the ordinary course of business. The Company's investment properties, under IFRS, consist of all of the Company's income producing properties, properties under development and surplus lands.

Similar to Canadian GAAP, under IFRS, investment property is initially recognized at cost. Subsequent to initial recognition IFRS requires that an entity account for investment property using either the cost or fair value model.

First time adoption of IFRS, allows an entity, at the date of transition to IFRS, to revalue investment properties at fair value and deem this amount as cost going forward, if the entity chooses the cost model.

It is also allowable, under IFRS, for an entity to maintain historical cost and continue to use the cost model. The cost model is generally consistent with Canadian GAAP in existence at December 31, 2010, in that investment properties are carried at cost less accumulated depreciation on the balance sheet. If the cost model is chosen, the fair value is required to be disclosed in the notes to the consolidated financial statements.

The Company has chosen to use the fair value method of presenting its investment properties as it is a more meaningful measure of the Company's primary assets. The opening adjustment to fair value at the transition date wasrecorded in shareholders' equity. Fair value represents the amount at which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction at the date of valuation.

The Company has decided that the fair value of investment properties will be determined on a combination of external appraisals, which will be obtained in the normal course of business for financing and other purposes, and internal valuations based on a capitalization matrix provided by independent external sources. Management will undertake annual reviews of the fair value of its investment properties to assess the continuing validity of the underlying assumptions such as cash flow and capitalization rates. Where increases or decreases are warranted, the Company will adjust the fair values of its investment properties.

Under the fair value model depreciation of investment properties will no longer be recorded. Straight-line rent, goodwill and intangible assets and liabilities which are currently reported separately under Canadian GAAP, are effectively included in the fair value of investment properties under IFRS. Straight-line rent, although effectively included in investment properties, will continue to be amortized as a reduction or increase of revenue.

The Company is reporting the fair value of each of its properties in the audited financial statements under IFRS for the year ended December 31, 2011.

b) Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combination retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after January 1, 2010.

c) Share-based payments

IFRS 1 allows that full retrospective application may be avoided for certain share-based instruments depending on the grant date, vesting terms and settlement of any real liabilities. A first-time adopter can elect to not apply IFRS 2 to share-based payments granted after November 7, 2002 that vested before the later of (a) the date of transition to IFRS and (b) January 1, 2005. The Company has elected this exemption and will apply IFRS2 to only unvested stock options as at January 1, 2010 being the transition date. As at January 1, 2010, the Company had no unvested stock options.

d) Leases

IFRS requires rental revenue to be recognized on a straight-line basis considering all rental payments from the start of each lease, whereas GAAP requires the recognition only on a prospective basis subsequent to the adoption of the accounting policy which was January 1, 2004. There is no impact of this change on the operating results of the Company.

e) Intangible Assets and Liabilities

With the adoption of IFRS, we derecognized our intangible assets and liabilities that relate to tenant leases otherwise considered in the determination of the fair value of our investment properties. This resulted in a decrease to intangible assets and liabilities.

f) Convertible Debentures

Under IFRS, the Company is required to present the conversion feature of its convertible debentures as a liability measured at fair value. Alternatively, the Company can choose to measure the entire balance of convertible debentures at fair value rather than separate the embedded derivative. In either case, the opening adjustment to fair value at the transition date would be recorded in shareholders' equity, with the changes to the fair value for each period being recorded in the consolidated statement of income and other comprehensive loss. Under Canadian GAAP, the value of the conversion feature of the Company's convertible debentures is included as a component of shareholders' equity and is not remeasured at fair value at each reporting date. The liability component of the convertible debentures is measured at amortized cost under Canadian GAAP. There is no impact of this change on the Company's operating results.

g) Income taxes

In December 2010, the IFRS Foundation issued amendments to International Accounting Standard ("IAS") 12, "Income taxes" to provide a practical approach for measuring deferred tax liabilities and deferred income tax assets when investment property is measured using the fair value model in IAS 40, "Investment Property". The amendments introduce a rebuttable presumption that an investment property measured using the fair value model is recovered entirely through sale rather than through use. The presumption is rebutted if the investment property is held within a business model whose objectives is to consume substantially all the economic benefits embodied in the investment property over time, rather than through sale. The Company has adopted the presumption that the carrying amount of the investment property will be recovered through sale and accordingly the measurement of the deferred tax liability (or asset) reflects such tax consequences. There is no impact of this change on the Company's operating results.

## 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 of the original debt discount is charged to interest expense over the term of the debt.

The Company 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 and the equity component of the convertible debenture is included in shareholders' equity.

## Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. As at December 31, 2011, the Company had issued and outstanding 8,936,678 common shares with a recorded value of $2,835,212.

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

## Off-Balance Sheet Arrangements

The Company had no off-balance sheet transactions for the period ended December 31, 2011 or the year ended December 31, 2010.

## Related Party Transactions

During the year ended December 31, 2011, the Company:

a) Charged related parties rent totaling approximately $35,257. The companies are related by virtue of the fact that they have the same President. As at December 31, 2011, included in accounts receivable is an amount of $39,562 due from these related parties.

b) Was charged consulting fees of $87,100 by an officer. As at December 31, 2011, accounts payable and accrued liabilities included $nil payable to this officer.

c) Incurred accounting fees of $101,910 with an accounting firm in which one of the Company's officers is a partner. As at December 31, 2011, accounts payable and accrued liabilities included $39,000 payable to this accounting firm.

d) Other related party transactions are disclosed in note 8 and note 10 of the accompanying audited financial statements.

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.

### Contractual Obligations and Commitments

The Company's contractual obligations and commitments consists of loans, debentures and mortgages which are disclosed in the notes to the audited financial statement ended December 31, 2011 and in the notes to the audited financial statement ended December 31, 2010. The Company has lease obligations for its offices until 2013.

### Internal Control over Financial Reporting

The conversion to IFRS from Canadian GAAP impacts the way we present our financial results and the accompanying disclosures. We have evaluated the impact of the conversion on our financial reporting systems, processes and controls and have noted that the most significant change to our internal control and disclosure environment is the requirement to measure and report our portfolio of investment properties at fair value. This change has required us to design and implement new processes and internal controls surrounding the determination of fair values which include, but are not limited to, management's consideration of recent and comparable transactions, discount rates, estimates of future rental rates and leasing activities, and future capital expenditures, as well as, where appropriate, engaging external specialists to assist with the determination of fair value.

### Risk and Uncertainties

The Company 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 Company. The Company would also be adversely affected by a long standing large increase in interest rates or a severe economic slow down.

## OUTLOOK

Recent reports from the Bank of Canada warns of possible interest rate increases in late 2012. Although, the cautious signal is well received by industry, the general consensus by economists is that interest rates won't rise until 2013 at the earliest.

The global economy continues to be in a fragile state. The European economy is still under the radar of the global financial markets and is creating daily and weekly market volatility, which is driving investors away from equities. Recently India reduced its interest rates, the first time in three years. In China, their recent economic growth is showing signs of slowing down, in particular, their demand for commodities.

With the instability of the European markets, the continuing weak US economy, and recent news of slow downs in the emerging markets of both China and India, indications are that global markets will remain weak past 2012. The US has indicated that their interest rates will remain at historic lows until 2013 which highlights the anticipated prolonged weak US economy. Given the close ties between the Canadian and US economies, its hard to foresee an increase in Canadian interest rates ahead of any increase in the US interest rates.

In Northern Alberta and British Columbia where our properties are located, oil prices remain steady and activities in the oil sector remain strong as most investments are for long term projects. However, the continuing robust oil sector is not reflected in the rural retail sector as consumers remain cautious.

Operationally, our business model has enabled the Company to weather the economic downturn better than most sectors, as our grocery anchor tenants and smaller local retailers are looking forward positively for 2012. The Company has been able to renew leases when due and secure new tenants when opportunities arise. Management has no assurance that if the economic downturn continues for a longer period than anticipated, that our smaller retail tenants can remain in business.

Tri-City Mall, Cold Lake, Alberta

The Tri-City Mall remains the flagship mall in the Company's portfolio and represents a major portion of the revenue generated for the Company. During the past year we renewed a number of leases and added some new tenants. Management is pleased to report that Sobeys has extended their lease for an additional 5 years, expiring in 2018. As well, we are currently exploring lease extensions with other key tenants.

Activity is picking up in the Alberta oil patch and this is good for Cold Lake. The Company is currently looking at developing a strip retail pad on our excess acreage in Cold Lake. As well, we are in discussions with national chains for the pad site. If developed, this project would add value to Gulf's portfolio as well as provide accretive cash flow.

St. Paul Shopping Centre, St. Paul, Alberta

In April 2011, the Company announced that LW Stores and Giant Tiger Stores are now the two new anchor tenants leasing a combined total of 45,228 sq. ft. or 65% of leaseable space. The remaining CRU space totals 20,197 sq. ft. which is more than half filled with existing tenants. The Company intends to resign leases with the current tenants and is in discussion with potential tenants for the unfilled vacancies of less than 9,681 sq. ft. or 14.0% of leaseable space. The two pad sites are leased by Tim Hortons which opened in 2009, and our long term tenant Suncor. A potential third pad site is being considered and the mall is shaping up to be a strong retail centre in St. Paul.

Three Hills, Alberta

Our Three Hills property continues to operate satisfactorily, since we renovated the building and moved The Bargain! Shop in the summer of 2005.

Merritt, British Columbia

The property is still vacant at this time. The Company is working with brokers and agents to try and secure a potential tenant for this 12,000 square foot building, well located in the growing community of Merritt, B.C.. We will keep shareholders posted as we continue to give our best efforts to fill this building.

The Company remains confident that the vacancies will be filled up in the near future. Management is looking at every opportunity in the market. Much effort and creativity has been placed on securing new tenants and retaining existing tenants.

Our long term financing consists of mortgages and debentures. In terms of mortgages, the Company closed on February 23, 2012 a five year mortgage for $14,500,000 at 5.25% for its St Paul and Cold Lake properties. The Three Hills property has a mortgage of $497,942 at 8.4% due December 1, 2013. As of March 1, 2012, the mortgage on the Merritt property was paid in full. The Company has two series of convertible debentures outstanding with face values of $3,587,500 maturing December 31, 2014 and $1,115,000 maturing October 31, 2015. With the exception of the small mortgage for the Three Hills property, the Company does not have to renew any long term financing for the next three years.

All outstanding short term loans have been repaid in full and the Company has cash of $946,753 as of December 31, 2011 with 8,936,678 shares outstanding. The closing price on December 31, 2011 was $0.30.

In April 2011, the Company renewed its Normal Course Issuer Bid, but it has not purchased back any shares during the past 12 months, as trading has been very light. The Normal Course Issuer Bid expired in April 2012 and was not renewed. The Company still maintains the 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.

Management continues to reduce costs at the corporate level and, when appropriate, to reduce CAM expenses on all properties.

The current economic conditions continue to provide a number of growth opportunities for the Company as many properties and real estate holding companies are dramatically undervalued and represent a buying opportunity for a strong long term return on investment. The Company intends exploring all opportunities in this regard for the benefit of our shareholders in both Canada and the US.

Management recognizes that paramount to our growth strategy is to secure equity financing for acquisitions or construction loans for intensification. The current economic situation remains challenging for new financing, in particular, financing will be difficult to obtain in the small markets where our properties are located. In addition, with possible interest rates remaining low, the cost of new borrowing will depend on the spread available in the markets which could affect the Company's bottom line.

We are focused on maintaining a strong relationship with our many quality tenants such as Giant Tiger Stores, Guardian Drugs, LW Stores, Reitmans, Rexall Drug Stores, Sobeys, Suncor, Tim Hortons and The Bargain! Shop. To view a complete list of our tenants please visit our website at www.gpequities.com.

Our business model of investing in anchored shopping centres, with a focus on everyday needs, remains our competitive advantage during good and difficult economic conditions.

As a result, 2012 represents a year of opportunities for the Company. With long term financing completed and cash on hand, the Company can focus on retaining our current tenants for the existing properties and looking for new investments with good growth opportunities.

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 properties, my Executive Assistant Susan Barrowclough and my family for your help and support over the past years.

Yours truly,

(signed) "Anthony J. Cohen"
Anthony J. Cohen
President & CEO
April 30, 2012