Gulf & Pacific Equities Corp.

LETTER TO SHAREHOLDERS

Dear Shareholder,

I am pleased to report your Corporation's third quarter of 2006.

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 grocery store anchored shopping centres.

This MD&A is prepared as of November 20, 2006. It contains certain forward-looking statements that involve known and unknown risks and uncertainties that are beyond Gulf & Pacific's control.

Results of Operations

<u>Balance Sheets</u>

On the balance sheet, total assets stood at $17,015,575 as of September 30, 2006, compared to $13,863,278 as of December 31, 2005. The increase of $3.2 million in total assets was primarily due to an increase in the book value of revenue producing properties, which resulted from the capital investment in the expansion of the Sobeys store anchoring our Valley Centre Mall in Whitecourt, Alberta. This project was substantially completed in June 2006 and the new rent for Sobeys was accrued starting June 2006. Our cash balance increased by $551,765 during the nine months to $1,176,996 at September 30, 2006, up from $625,231 as of December 31, 2005. This increase was largely due to the refinancing of debt offset by the investment in the Sobeys expansion and the rental arrangements made with Sobeys and Saan Stores during the construction period. The capital investment program was funded from corporate resources and from a mortgage loan from Servus Credit Union. Deferred financing costs increased by $269,624 as a result of the new mortgage refinancing. Cash held in escrow of $33,940 represents funds not received on closing, which was subsequently paid in October. Accounts receivable decreased from $52,240 to $16,775 due to collection of outstanding realty taxes. The rest of the asset side of the balance sheet was little changed.

With respect to liabilities, mortgages payable increased to $12,427,360 as of September 30, 2006 up from $8,904,569 as of December 31, 2005 due to refinancing of the properties in St. Paul and Whitecourt, offset by regular repayment of mortgages on the Corporation's properties. Convertible debentures increased to $2,469,991 from $2,286,978 as of December 31, 2005. In accordance with generally accepted accounting principles, the convertible debentures are carried at an amount that increases as time passes (see note 3 to the unaudited quarterly financial statements) reflecting a non cash allocation within the balance sheet. Accounts payable and accrued liabilities decreased to $605,551 from $781,187 due mainly to the substantial completion of the Valley Centre Mall renovation and payment of realty taxes. Total liabilities increased to $15,502,902 from $11,972,734 as of December 31, 2005, an increase of $3,530,168. This increase is primarily due to the Company discharging all outstanding debts on the St. Paul and Whitecourt properties and refinancing with new first mortgages with First National Financial and Capmark respectively. The new mortgages are at 5.45% and 5.43% respectively which average approximately 2% lower than rates on the combined retired outstanding debts, resulting in nominal increase in mortgage payments to service the higher mortgages.

Shareholders' equity stood at $1,512,673 compared to $1,890,544 as of December 31, 2005. The decline was principally due to the Corporation's deficit increasing to $2,816,504 from $2,220,227 largely as a result of the renovation project in Whitecourt, as well as the resulting increase in interest expense. In order to accommodate Sobeys expansion into over 12,000 square feet of their space, Saan Stores paid no rent or other expenses until May 1, 2006, so during the first quarter the Corporation received no rental or other income from Saan as per our construction agreement. As of May 1, 2006, we began accruing rent for Saan Stores Limited for the 13,000 square feet that they occupy in their newly renovated store. As previously mentioned, as of June 1, 2006, Sobeys began paying rent based on their new 20 year lease for their brand new store.

<u>Statements of Operations</u>

For the nine months ended September 30, 2006 revenue increased to $1,504,772 from $1,368,312 for the same period last year. The increase was a result of the new rental arrangements made with Sobeys and Saan Stores starting June 1 and May 1 respectively and new rent with The Bargain Shop in Three Hills. Revenue will continue to increase as a result of new rental terms with Saan Stores Limited and Sobeys which are reflected in the quarter, as well as new leases with existing and new tenants.

For the nine month period ended September 30, 2006, expenses rose to $2,092,702 from $1,833,019 for the same period last year, an increase of $259,683 or 14.2 percent. The main reasons for the increase in expenses were a $151,304 increase in interest expense related to the financing for the Valley Centre Mall renovation, and stock-based compensation of $44,325, with minor increases in operating costs, property taxes, and administrative expenses. Management remains focused on controlling costs and operating efficiently.

Loss for the nine month period was $587,930 compared to $464,707 for the same period last year.

Statements of Cash Flows

On the statements of cash flows, cash used in operations totaled $468,955 compared to cash provided by operations of $75,844 for the same period last year. The change in cash provided by operations is primarily a result of the rental arrangements made with Sobeys and Saan Stores during the construction period and the interest expense associated with the construction mortgage loan on Valley Centre Mall. Financing activities provided $3,589,588 in funds compared to the use of $166,280 in funds for the period a year ago. The main change was the increase in mortgages payable of $3,522,791 as a result of the debt refinancing, mainly to discharge the construction loan for the Valley Centre Mall renovation during the period and the VTB mortgage on St. Paul, partially offset by $126,262 in mortgage repayments compared to repayment of $378,027 in mortgages payable last year, partially funded by the use of $211,747 of cash held in trust. For the nine month period, $2,534,928 was invested in revenue producing properties compared to $505,955 being invested during the same period last year. As at September 30, 2006 the Corporation had $1,210,936 in cash compared to $1,218,039 at the same time a year ago, before the Corporation's substantial construction activities began in Whitecourt and St. Paul, Alberta.

Liquidity

The Corporation had cash of $1,210,936 as of September 30, 2006. Management feels that it has adequate liquidity with which to carry on its operations during the remainder of fiscal 2006 and into fiscal 2007.

Off-Balance Sheet Arrangements

The Corporation had no off-balance sheet transactions for the nine months ended September 30, 2006 or the year ended December 31, 2005.

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 3 to the unaudited quarterly 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 September 30, 2006, the Corporation had issued and outstanding 8,014,370 common shares with a recorded value of $2,461,263.

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 nine months ended September 30, 2006, the Corporation charged a related party rent of approximately $16,875 compared to $15,000 in the same period last year. The companies are related by the fact that they have the same President and CFO. In addition, the Corporation charged another related party rent of $9,000 compared to the same amount in the same period last year. These companies are related by virtue of the fact that they have the same President and CEO. The subleasing of office space helps offset some of the Corporation's administrative expense.

The corporation was charged management fees of $18,000, compared to $18,000 in the same period last year, by a shareholder. In addition, an amount of approximately $80,000 was paid to this shareholder during the period relating to a service fee for management of the construction and renovation project at Valley Centre Mall. In the prior period there were no similar fees paid.

Also during the nine month period ended September 30, 2006, the Corporation was charged consulting fees of $27,000 by an officer, compared to $Nil in the same period last year.

During the nine months ended September 30, 2006, the Corporation incurred accounting fees of $25,500 with an accounting firm in which one of the Corporation's officers is a partner.

Changes In Accounting Policies

There have been no changes in accounting policies.

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 2006. Near the end of 2005 we completed the renovation and new roof of our Three Hills, Alberta property and signed a new 10 year lease with The Bargain! Shop.

At our Valley Centre Mall, we completed the renovation of the Saan Store and substantially completed the construction and renovation of the Sobeys' store. The Corporation has begun collecting rent under the new 20 year lease with Sobeys and the revised lease with Saan Stores. As a result of the renovations, other tenants are exercising their options to extend their leases, while others are negotiating new leases.

The refinancing of St. Paul Shopping Centre will allow management to focus on extending and negotiating new leases for the property.

At the writing of this report we are progressing with our proposed acquisition of Tri-City Mall in Cold Lake, Alberta. Upon completion of this acquisition we will nearly double our square footage owned to approximately 336,000 square feet. As well, the increased rental income will add significantly to the overall earnings of the Company. The Cold Lake area is slated for substantial economic growth in the region given the announced plans of the Canadian military base, the Heavy Oil sector and international investments from Korea.

With the exception of 11,000 square feet in Merritt, B.C. our Corporation's square footage is located in Alberta. The West's future looks very promising and management is maintaining its Western focus with other acquisition candidates in the region.

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

As always, I would like to thank our loyal shareholders, Board of Directors, staff at Rick Holdings Ltd. our terrific property managers and large shareholder, our consulting professionals, Susan Barrowclough my Executive Assistant and, as always, my family for your collective wisdom, help, and guidance.

On behalf of the Board of Directors,

<u>(signed) “Anthony J. Cohen”</u>

Anthony J. Cohen
President
November 20, 2006

Summary of Quarterly Financial Information

The quarterly financial results for fiscal 2006 and fiscal 2005 are summarized as follows:

	Three Months Ended (Unaudited)			
	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005
Revenue	$ 543,844	$ 496,226	$ 464,702	$ 468,387
Net (Loss) for the Period	(166,530)	(277,342)	(144,058)	(42,595)
Earnings (Loss) per common share - basic and diluted	(0.02)	(0.04)	(0.02)	(0.01)

	Three Months Ended (Unaudited)			
	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
Revenue	$ 447,595	$ 444,863	$ 475,854	$ 531,975
Net Income (Loss) for the Period	(150,645)	(223,035)	(91,027)	50,627
Earnings (Loss) per common share - basic and diluted	(0.02)	(0.03)	(0.01)	0.01