GULF & PACIFIC
EQUITIES CORP.

LETTER TO SHAREHOLDERS

Dear Shareholder,

I am pleased to report your Corporation's first quarter results for 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Gulf & Pacific Equities Corp. ("Gulf & Pacific" or "the Company") 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. The Company 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 May 27, 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 $29,989,636 as of March 31, 2008, compared to $30,115,838 as of December 31, 2007. The decrease of $126,202 in total assets was primarily due to normal amortization of revenue producing properties, intangible assets and accounts receivable, offset by increase in prepaid expenses and accrued rent receivables.

Our cash balance decreased by $13,672 during the three months to $177,872 at March 31, 2008, down from $191,544 as of December 31, 2007. This decrease is due to prepaid mortgage payments of $120,000 for the St. Paul property during the quarter. Intangible assets decreased by $36,531 due to amortization representing the normal accounting treatment for the associated cost. Prepaid expenses increased to $243,518 largely due to the prepaid mortgage at St. Paul, professional fees for leasing renewals and intensification strategy for the properties. Accounts receivable decreased from $376,792 to $236,759 due to collection of outstanding realty taxes and CAM. Accrued rent receivable increased to $265,916 from $226,270 reflecting additional rent expected with step rent leases.

With respect to liabilities, mortgages payable decreased to $23,088,938 as of March 31, 2008 down from $23,189,762 as of December 31, 2007 due to regular repayment of mortgages on the Company's properties. Convertible debentures increased to $2,567,321 from $2,495,704 as of December 31, 2007. In accordance with generally accepted accounting principles, the convertible debentures are carried at an amount that increases as time passes (see note 2 to the unaudited quarterly financial statements) reflecting a non cash allocation within the balance sheet.

Purchase price payable represents an agreement to pay the stated fixed sum, if and when the vacant space at Tri-City Mall becomes fully leased. Loans payable represents two loans due November 30, 2008, as part of the December 2006 financing for Tri-City Mall. Intangible liabilities is a non-cash item that decreases over time, due to amortization reflecting the accounting treatment for the value of the leases resulting from the purchase of Tri-City Mall. Accounts payable and accrued liabilities decreased to $732,501 from $766,594 due mainly to normal payments in property taxes, common area expenses and debenture interest.

Total liabilities decreased to $28,761,193 from $28,864,143 as of December 31, 2007, a decrease of $102,950. As noted above, this decrease is primarily due to the payment of mortgages, accounts payable, as well as a decrease in intangible liabilities, a non-cash item.

Shareholders' equity stood at $1,228,443 compared to $1,251,695 as of December 31, 2007. The decrease of $23,252 was due to the loss for the three months, mostly from non-cash items.

Statements of Operations

For the three months ended March 31, 2008 revenue increased to $1,105,502 from $1,051,614 for the same period last year, representing an increase of $53,888. Common area and realty tax recoveries were down by $37,516, due to a one time payment received in the first quarter of 2007 from the previous owner of the Tri-City Mall.

For the three month period ended March 31, 2008, expenses rose to $1,128,754 from $1,074,286 for the same period last year, an increase of $54,468. The main reasons for the increase in expenses were increases in administration represented by salaries, professional fees, consulting fees for the period and timing of some accounting fees recorded in Q1 this year.

Loss for the three month period was $23,252 compared to $22,672 for the same period last year, representing minimal change.

Statements of Cash Flows

On the statements of cash flows, the three months cash provided from operations totaled $224,586 compared to $242,793 for the same period last year, representing a decrease of $18,207. The decrease in cash provided by operations is primarily a result of nominal increases in administrative costs in professional fees.

Financing activities for the three months used $238,258 in funds compared to $100,446 for the period a year ago. The main change was the prepayment of mortgages of $120,000 and the repayment of mortgages payable of $118,258 compared to $97,446 for the same period last year.

For the three month period, there were no funds invested in revenue producing properties compared to $2,270 being invested during the same period last year. As at March 31, 2008 the Company had $177,872 in cash compared to $261,817 at the same time a year ago.

Liquidity

The Company had cash of $177,872 as of March 31, 2008. Management feels that it has adequate liquidity with which to carry on its operations during the remainder of fiscal 2008.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet transactions for the three months ended March 31, 2008 or the year ended December 31, 2007.

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 Company finances operations and capital acquisitions through the issuance of common shares, mortgages payable and convertible debentures. The debt component of the convertible debentures is reflected as a financial liability (see note 2 to the unaudited quarterly financial statements) 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 March 31, 2008, the Company had issued and outstanding 8,672,303 common shares with a recorded value of $2,749,312.

The Company 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 three months ended March 31, 2008, the Company charged a related party rent of approximately $9,000 compared to $5,643 in the same period last year. The companies are related by the fact that they have the same President and Chief Financial Officer.

In addition, the Company charged another related party rent of $3,000 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 Company's administrative expense.

Also, during the three month period ended March 31, 2008, the Company was charged consulting fees of $16,500 by an officer compared to $9,000 in the same period last year.

During the three months ended March 31, 2008, the Company incurred accounting fees of $42,526 compared to $27,800 in the same period last year with an accounting firm in which one of the Company's officers is a partner.

Changes In Accounting Policies

There are no changes in accounting policies.

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

Management is optimistic about the outlook for the balance of 2008. Recently we reported the audited results of 2007 which showed a 115% increase in revenue for the year and a FFO (Funds From Operations) of $0.07 per share.

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 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.

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.

On behalf of the Board of Directors,

(Signed) "Anthony Cohen"
Anthony J. Cohen
President
March 27, 2008

Summary of Quarterly Financial Information

The quarterly financial results for fiscal year ended 2008, 2007 and 2006 are summarized as follows:

	Three Months Ended (Audited / Unaudited)			
	March 31, 2008	**December 31, 2007**	**September 30, 2007**	**June 30, 2007**
Revenue	$ 1,105,502	$ 1,140,880	$ 1,187,576	$ 1,109,935
Net Income (Loss) for the Period	(23,252)	50,186	(208,263)	(205,078)
Earnings (Loss) per common share - basic and diluted	-	0.01	(0.03)	(0.02)

	Three Months Ended (Audited / Unaudited)			
	March 31, 2007	**December 31, 2006**	**September 30, 2006**	**June 30, 2006**
Revenue	$ 1,051,614	$ 581,551	$ 543,844	$ 496,226
Net Income (Loss) for the Period	(22,672)	(176,308)	(166,530)	(277,342)
Earnings (Loss) per common share - basic and diluted	-	(0.02)	(0.02)	(0.04)