Gulf & Pacific Equities Corp.

LETTER TO SHAREHOLDERS

Dear Shareholder,

I am pleased to report your Corporation's first quarter results for 2007.

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 May 28, 2007. 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 $30,756,300 as of March 31, 2007, compared to $30,905,971 as of December 31, 2006. The decrease of $149,671 in total assets was primarily due to decreases in non-cash items such as amortization of revenue producing properties, deferred financing and leasing costs, and intangible assets offset by increases in cash due to increased rental income and accrued rent receivable. As well, accounts receivable decreased to $69,039 due to collection of year end accounts.

Our cash balance increased by $140,077 during the three months to $261,817 at March 31, 2007, up from $121,740 as of December 31, 2006. This increase is due to the new rental income resulting from the purchase of Tri-City Mall in December 2006. Deferred financing costs and intangible assets decreased by $40,961 and $43,088 respectively, representing the normal accounting treatment for the associated costs. Accounts receivable decreased from $137,581 to $69,039 due to collection of outstanding realty taxes and CAM. The rest of the asset side of the balance sheet was little changed.

With respect to liabilities, mortgages payable decreased to $23,781,427 as of March 31, 2007 down from $23,878,873 as of December 31, 2006 due to regular repayment of mortgages on the Corporation's properties. Convertible debentures increased to

$2,551,510 from $2,529,310 as of December 31, 2006. In accordance with generally accepted accounting principles, the convertible debentures are carried at an amount that increases as time passes (see note 4 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 Nov 30, 2007, as part of the December 2006 financing for Tri-City Mall. Intangible liabilities is a non-cash item that decreases over time, due to the accounting treatment for the value of the leases resulting from the purchase of Tri-City Mall. Accounts payable and accrued liabilities decreased to $482,737 from $539,071 due to payment of outstanding expenses from the Valley Centre Mall renovation.

Total liabilities decreased to $29,361,997 from $29,545,996 as of December 31, 2006, a decrease of $183,999. This decrease is primarily due to the payments to outstanding mortgages and accounts payable, as well as, decrease in intangible liabilities, a non-cash item.

Shareholders' equity stood at $1,394,303 compared to $1,359,975 as of December 31, 2006. The increase of $34,328 was principally due to the conversion to common shares of $57,000 in debentures on January 1, 2007, offset by a small increase to the overall deficit for the period.

Statements of Operations

For the three months ended March 31, 2007 revenue increased to $1,051,614 from $464,702 for the same period last year, representing an increase of 126.3 percent. This increase was a result of the Corporation's strategic purchase of Tri-City Mall in December 2006 and the increased rent resulting from the completion of the Valley Centre Mall renovations in the summer of 2006. Increase in common area and realty tax recoveries represents the proportional increase due to the increase in the size of our real estate portfolio.

For the three month period ended March 31, 2007, expenses rose to $1,074,286 from $608,760 for the same period last year, an increase of $465,526 or 76.5 percent. The main reasons for the increase in expenses were a $168,591 increase in interest expense related to the refinancing at Valley Centre Mall and St. Paul Shopping Centre and the financing for the purchase of Tri-City Mall, as well as proportional increases in operating costs, realty taxes and amortization as a result of the larger real estate portfolio. As well, administration increased by a nominal $20,315 for the period, due to an increase in professional fees for the period and new monthly IT expenses due to the implementation of the new computer system.

The interest expense increased from $307,370 as of March 31, 2006 to $475,961 as of March 31, 2007 representing an increase of 54.8 percent. During the same period, mortgages payable increased from $8,842,034 as of March 31, 2006 to $23,781,427 as of March 31, 2007 representing an increase of $14,939,393 or 169.0 percent. The

lower proportional increase in interest expense is reflective of the low long term mortgage rates negotiated by the Corporation during 2006. Management remains focused on controlling costs and operating efficiently.

Loss for the three month period was $22,672 compared to $144,058 for the same period last year.

Statements of Cash Flows

On the statements of cash flows, cash provided from operations totaled $242,793 compared to cash provided by operations of $49,780 for the same period last year. The change in cash provided by operations is primarily a result of the new rental income starting on January 1, 2007 from the purchase of Tri-City Mall in December 2006.

Financing activities used $100,446 in funds compared to the funds provided of $952,567 for the period a year ago. The main change was the repayment of mortgages payable to $97,446 as a result of the increase in mortgages issued by the company and the repayment of $3,000 in convertible debentures.

For the three month period, $2,270 was invested in revenue producing properties compared to $1,145,512 being invested during the same period last year. As at March 31, 2007 the Corporation had $261,817 in cash compared to $482,066 at the same time a year ago, before the Corporation's refinancing of Valley Centre Mall and St. Paul Shopping Centre, and the purchase of Tri-City Mall.

Liquidity

The Corporation had cash of $261,817 as of March 31, 2007. Management feels that it has adequate liquidity with which to carry on its operations during the remainder of fiscal 2007.

Off-Balance Sheet Arrangements

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

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, mortgages payable and convertible debentures. The debt component of the convertible debentures is reflected as a financial liability (see note 4 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 March 31, 2007, the Corporation had issued and outstanding 8,243,732 common shares with a recorded value of $2,554,645.

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 three months ended March 31, 2007, the Corporation charged a related party rent of approximately $5,643 compared to $5,607 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 $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 Corporation's administrative expense.

Also, during the three month period ended March 31, 2007, the Corporation was charged consulting fees of $9,000 by an officer compared to $9,000 in the same period last year.

During the three months ended March 31, 2007, the Corporation incurred accounting fees of $27,800 with an accounting firm in which one of the Corporation's officers is a partner.

Changes In Accounting Policies

See Note 3 to accompanying unaudited financial statements for the three months ended March 31, 2007.

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 2007. Near the end of 2006 we completed the strategic purchase of Tri-City Mall which is reflected in the 126.3 percent increase in revenue for the period relative to the same period last year.

The focus of the Corporation for the coming months is to transfer the various administrative works with our new tenants at Tri-City Mall, as well as refinancing the short term loans secured during the closing for Tri-City Mall. We anticipate that by mid-summer, our Corporation will be exploring additional growth opportunities in our targeted market regions.

As of January 1, 2007, we welcome Mr. Kim Donais of West Horizon Properties Inc. as our new Property Manager, based in Alberta. For our tenants, this represents no change in operations, as Kim was our property manager at Rick Holdings Ltd. Kim's initial focus will be to secure new tenants for our Tri-City Mall property, as well as working to renew leases at all our properties.

With the exception of 11,000 square feet in Merritt, B.C. our Corporation's total 336,000 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.

As always, I would like to thank our loyal shareholders, Board of Directors, our terrific property managers, 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,

(signed) "Anthony J. Cohen"

Anthony J. Cohen
President
May 28, 2007

Summary of Quarterly Financial Information

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

	Three Months Ended (Unaudited)			
	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006
Revenue	$ 1,051,614	$ 581,551	$ 543,844	$ 496,226
Net (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)

	Three Months Ended (Unaudited)			
	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005
Revenue	$ 464,702	$ 468,387	$ 447,595	$ 444,863
Net Income (Loss) for the Period	(144,058)	(42,595)	(150,645)	(223,035)
Earnings (Loss) per common share - basic and diluted	(0.02)	(0.01)	(0.02)	(0.03)