Gulf & Pacific Equities Corp.

LETTER TO SHAREHOLDERS

Dear Shareholder,

I am pleased to report your Corporation's third 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 November 27, 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

<u>Balance Sheets</u>

On the balance sheet, total assets stood at $30,306,789 as of September 30, 2007, compared to $30,905,971 as of December 31, 2006. The decrease of $599,182 in total assets was primarily due to amortization of revenue producing properties intangible assets and deferred financing and leasing costs.

Our cash balance increased by $49,181 during the nine months to $170,921 at September 30, 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 $106,124 and $129,262 respectively, due to amortization representing the normal accounting treatment for the associated costs. Prepaid expenses increased to $79,132 largely due to professional services retained for the properties. Accounts receivable decreased from $137,581 to $71,699 due to collection of outstanding realty taxes and CAM. Accrued rent receivable increased to $127,662 from $94,356 reflecting additional rent expected with step rent leases.

With respect to liabilities, mortgages payable decreased to $23,552,798 as of September 30, 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 $2,602,098 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. On August 28, 2007, holders of the convertible debentures due September 1, 2007 agreed to extend the due date to September 1, 2008.

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, 2007, as part of the December 2006 financing for Tri-City Mall. Management is in discussion with the lenders to extend the two loans for one more year at the same terms. 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 increased to $585,349 from $539,071 due mainly to increased property taxes and debenture interest payable.

Total liabilities decreased to $29,181,729 from $29,545,996 as of December 31, 2006, a decrease of $364,267. As noted above, this decrease is primarily due to the payment of mortgages as well as a decrease in intangible liabilities, a non-cash item.

Shareholders' equity stood at $1,125,060 compared to $1,359,975 as of December 31, 2006. The decrease of $234,915 was principally due to the loss for the nine months, offset by the conversion of debentures to common shares and an increase in contributed surplus due to granting of stock options, a non-cash item.

Statements of Operations

For the nine months ended September 30, 2007 rental revenue increased to $2,344,522 from $1,154,247 for the same period last year, representing an increase of 103.1 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. The net result is a doubling of rental revenue for the Corporation. 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 nine month period ended September 30, 2007, expenses rose to $3,785,138 from $2,092,702 for the same period last year, an increase of $1,692,436 or 80.9 percent. The main reasons for the increase in expenses were a $543,318 increase in interest expense related to the refinancing at Valley Centre Mall and St. Paul Shopping Centre, 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 $131,628 for the period, due to increases in salaries, professional fees, consulting fees for the period and new monthly IT expenses due to the implementation of the new computer system in January 2007.

The interest expense increased from $997,361 as of September 30, 2006 to $1,540,679 as of September 30, 2007 representing an increase of 54.4 percent.

During the same period, mortgages payable increased from $12,427,360 as of September 30, 2006 to $23,552,798 as of September 30, 2007 representing an increase of $11,125,438 or 90.0 percent. Management remains focused on controlling costs and operating efficiently.

Loss for the nine month period was $436,013 compared to $587,930 for the same period last year.

Statements of Cash Flows

On the statements of cash flows, the nine months cash provided from operations totaled $418,107 compared to cash used by operations of $468,955 for the same period last year, representing an increase of $887,062. 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 for the nine months used $329,075 in funds compared to the funds provided of $3,589,588 for the period a year ago. The main change was the repayment of mortgages payable of $326,075 and the repayment of $3,000 in convertible debentures, compared to the repayment of mortgages payable offset by increase in mortgages payable as of September 30, 2006.

For the nine month period, $39,851 was invested in revenue producing properties compared to $2,534,928 being invested during the same period last year. As at September 30, 2007 the Corporation had $170,921 in cash compared to $1,210,936 at the same time a year ago, before the Corporation's purchase of Tri-City Mall.

For the three months ended September 30, 2007, cash flow used in operations was $129,168 compared to $153,106 last year, reflecting the typical use of funds to pay property taxes in the third quarter.

Liquidity

The Corporation had cash of $170,921 as of September 30, 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 nine months ended September 30, 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 September 30, 2007, the Corporation had issued and outstanding 8,443,732 common shares with a recorded value of $2,645,253.

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, 2007, the Corporation charged a related party rent of approximately $16,981 compared to $16,875 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 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.

Also, during the nine month period ended September 30, 2007, the Corporation was charged consulting fees of $49,500 by an officer compared to $27,000 in the same period last year.

During the nine months ended September 30, 2007, the Corporation incurred accounting fees of $64,900 compared to $25,500 in the same period last year 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 nine months ended September 30, 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 103.1 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 lease up the remaining vacant space at the new Tri-City Mall, as well as refinancing or extending the short term loans secured during the closing for Tri-City Mall. We anticipate that in early 2008, our Corporation will be exploring additional growth opportunities in our targeted market regions.

As of January 1, 2007, we welcomed 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
November 27, 2007

Summary of Quarterly Financial Information

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

	Three Months Ended (Unaudited)			
	39354 2007	39262 2007	38806 2007	39081 2006
Revenue	$ 1187576	$ 1109935	$ 1051614	$ 581551
Net (Loss) for the Period	208263)	205078)	22672)	176308)
Earnings (Loss) per common share - basic and diluted	0.03)	0.02)	-	0.02)

	Three Months Ended (Unaudited)			
	September 30, 2006	38897 2006	38806 2006	39081 2005
Revenue	$ 543844	$ 496226	$ 464702	$ 468387
Net Income (Loss) for the Period	166530)	277342)	144058)	42595)
Earnings (Loss) per common share - basic and diluted	0.02)	0.04)	0.02)	0.01)