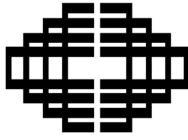

Dear Shareholders,

On behalf of the Board of Directors of Gulf & Pacific Equities Corp. I am pleased to present to you the 2008 audited annual statements for Gulf & Pacific Equities Corp. (TSX-V: GUF).

2008 was a challenging year for Canadians and the same was true for Gulf & Pacific Equities Corp., as we worked through the challenges of a historic economic downturn. We are pleased to report that at year end overall revenue dropped by only 2.3% compared to the previous year. As well, our share price increased for the year, compared to a 35% drop for the TSX index. Finally, we are reporting to our shareholders Funds From Operations (FFO) of $0.08 for the year ended December 31, 2008 compared to $0.07 for the year ended December 31, 2007.

Looking forward to 2009, the company cautions further negative impact to the company during the first half of the year, but anticipates a potential rebound in the second half as a result of possible new anchor tenants and stronger economic conditions for the smaller tenants.

The current economic conditions also 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.

Management recognizes that paramount to our growth strategy is to secure equity financing for acquisitions or construction loans for intensification. Given the current economic 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 continuing to work towards securing a new financing when due to cover the various loans and debentures upon maturity and to provide funds for our growth strategy.

As well, the company recently renewed the Normal Course Issuer Bid in March 2009. 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.

At Tri-City Mall, we have signed a number of new leases and lease renewals in 2008 and vacancy is now less than 5% at this time. The city of Cold Lake is continuing to grow and we have been approached by a number of tenants who are interested in new space at Tri-City Mall.

Our St. Paul Shopping Centre is targeted for redevelopment, as the lease with Sobeys expired in September 2008 and Saan vacated as part of a bankruptcy procedure. We are pleased to announce that Tim Hortons will be locating at our site and management is negotiating with several national tenants for the anchor spaces.

I am pleased to report that our Valley Centre Mall, in Whitecourt Alberta, remains 100% leased. Given the growth in the region, this mall is ideal for our intensification strategy, as we have had inquiries for space from a national retailer interested in locating at Valley Centre Mall.

Our property at Three Hills continues to generate steady rental income from The Bargain! Shop.

The Merritt, B.C. property is currently vacant as a result of the departure of Saan Stores Limited. The company is currently weighing a number of options for the property.

We are focused on maintaining a strong relationship with our many quality tenants such as Tim Hortons, Guardian Drugs, Petro-Canada, Reitmans, Rexall Drug Stores, 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 properties, my Executive Assistant Susan Barrowclough and my family for your help and support over the past twelve months.

Yours truly,

(signed) “Anthony J. Cohen”
Anthony J. Cohen
President
April 27, 2009

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 (TSX-V: GUF). The Corporation 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.

This MD&A is prepared as of April 27, 2009. It contains certain forward-looking statements that involve known and unknown risks and uncertainties that are beyond Gulf & Pacific's control.

Extraordinary Market Volatility

During 2008, with the extraordinary market volatility, the TSX index opened at 13,833 on Jan 1, 2008 and closed at 8,987 on December 31, 2008 representing a drop of 35%. In this same period, the share price of Gulf & Pacific Equities Corp. opened at $0.33 and closed at $0.40 representing an increase of 21% on relatively low volumes.

Although market pressures throughout the year has put downward pressure on the Company's share price at various times with low volumes, we are pleased that the company's share price held steady during the volatile year which we attributed to the financial strength of our loyal shareholders.

The Company regularly receives funding from the financial markets for debt or equity financing. 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 in light of the current economic conditions.

Results of Operations

Balance Sheets

On the balance sheet, total assets stood at $29,410,862 as of December 31, 2008, compared to $30,115,838 as of December 31, 2007. The decrease of $704,976 in total assets was primarily due to normal amortization of the revenue producing properties, intangible assets, cash and accounts receivable, which includes a $60,000 allowance for doubtful accounts as a result of the vacancies at our St. Paul Shopping Centre. The decrease in total assets is offset by increases in accrued rent receivable and prepaid expenses, which includes a $240,000 prepayment to the mortgage lender for our St. Paul Shopping Centre and repayable to the Company subject to the terms of the mortgage agreement.

Our cash balance decreased by $181,282 during the twelve months to $10,262 at December 31, 2008, down from $191,544 as of December 31, 2007. This decrease was largely due to the prepayment to our St. Paul Shopping Centre as per the terms of the mortgage agreement.

Intangible assets decreased to $529,316 representing the lease origination costs, tenant relationships and above-market leases assumed on acquisition of Tri-City Mall, net of related accumulated amortization. As noted above, prepaid expenses increased by $312,452 mostly due to the prepayment to the mortgage lender and professional fees incurred in advance of new lease commitments with potential tenants. Accounts receivable decreased from $376,792 as of December 31, 2007 to $42,477 as of December 31, 2008 due to an allowance for doubtful accounts and collection of outstanding realty taxes and common area costs. Similarly, accrued rent receivable increased by $53,285 reflecting new leases signed during the year.

Total liabilities decreased from $28,864,143 as of December 31, 2007 to $28,293,869 as of December 31, 2008 representing a decrease of $570,274. The change is a result of mortgages payable decreasing to $22,776,695 as of December 31, 2008 down from $23,189,762 as of December 31, 2007 due to regular repayment of mortgages on the Corporation's properties. Convertible debentures decreased to $2,470,521 as of December 31, 2008 from $2,495,704 as of December 31, 2007 due to a refinancing offset by accretion of convertible debentures. In accordance with generally accepted accounting principles, the convertible debentures are carried at an amount that increases as time passes (see note 8 to the audited financial statements) reflecting a non cash allocation within the balance sheet. The purchase price payable of $658,776 represents an agreement whereby the Corporation is obliged to pay the amount if the Tri-City Mall becomes fully leased subsequent to the purchase. Since the Corporation expects to fully lease the property in 2009, this obligation has been fully provided for and added to the cost of the acquisition. The loans payable of $1,000,000 represent two related party loans of $500,000 each used in the purchase of the Tri-City Mall. These loans were extended for 12 months during the year. The intangible liabilities of $594,708 represent the below market tenant leases assumed on acquisition of Tri-City Mall, net of related accumulated amortization. Accounts payable and accrued liabilities increased to $793,169 as of December 31, 2008 from $766,594 as of December 31, 2007 due mainly to increases in accrued liabilities, a non-cash item, and the normal operations of the company.

Shareholders' equity stood at $1,116,993 as of December 31, 2008 compared to $1,251,695 as of December 31, 2007. The decline was due to the Corporation's deficit increasing to $4,011,621 from $3,396,109 as a result of the net loss as explained below.

Statements of Operations

For the year ended December 31, 2008 revenue decreased to $4,388,561 from $4,490,005 as of December 31, 2007, a decrease of 2.3%. The decrease was primarily a result of vacancies or temporary rent reductions at our St. Paul Shopping Centre offset by new leases and lease renewals at our other properties. Accordingly, rental income decreased by $143,392 and common area and realty tax recoveries increased by $48,447 for the year as tenants must pay their proportion of common area and realty tax costs.

For the period ended December 31, 2008, expenses rose to $5,004,073 from $4,875,832 as of December 31, 2007, an increase of $128,241 or 2.6 %. The primary reason for the increase in expenses was the one time charge for loss on extinguishment of convertible debenture of $155,865, a non-cash item, as a result of the 5 years extension on the $896,250 debenture, which

will now mature on September 1, 2013. Without this one time charge, the expenditures in 2008 actually decreased when compared to 2007.

Specifically, interest decreased to $1,966,499 as of December 31, 2008 from $2,117,667 as of December 31, 2008, representing a decrease of 7.1%. As well, non-cash amortization expense decrease to $563,293 as of December 31, 2008 from $567,672 as of December 31, 2007. Stock-based compensation costs of $77,204 were recorded in 2007 and nil for 2008. These decreases in expenses are offset by an increase of $113,928 in operating costs and realty taxes representing an increase of 7.8%. An increase in administration expenses of $91,199 due primarily to investor relations fees, consulting fees, professional fees, directors fees, salary, transfer & filing fees, insurance, and rent. Management remains focused on controlling costs and operating efficiently.

Loss for the year ended December 31, 2008 was $615,512 compared to $385,827 as of December 31, 2007. As a result, loss per share of $0.07 in 2008, which includes the non-cash item for loss on extinguishment of convertible debenture as noted above, compared to a loss per share of $0.05 in 2007. The loss per share would remain at $0.05 per share for 2008 when the one time non-cash charge to the debenture extension is discounted.

Statements of Cash Flows

On the statements of cash flows, cash provided by operations totaled $675,896 for the year ended December 31, 2008 compared to $543,268 for the year ended December 31, 2007. This represents a Funds From Operations (FFO) of $0.08 per share for the year.

Financing activities used $690,402 in funds for the year ended December 31, 2008 compared to $465,218 in funds used for the year ended December 31, 2007. The main change was the prepayment of mortgage payable for the St. Paul Shopping Centre during the year, as per the terms of the mortgage agreement. For the year ended December 31, 2008, $166,776 was invested in revenue producing properties compared to $8,246 being invested for the year ended December 31, 2007. As at December 31, 2008 the Corporation had $10,262 in cash compared to $191,544 as of December 31, 2007, mainly as a result of the above note prepayment in mortgage payable.

Liquidity

The Corporation had cash of $10,262 as of December 31, 2008. Management feels that with the successful completion of its financing in November 2008 and in January 2009, that the Company has adequate liquidity with which to carry on its operations for fiscal 2009.

Off-Balance Sheet Arrangements

The Corporation had no off-balance sheet transactions for the year ended December 31, 2008 or the year ended December 31, 2007.

Changes In Accounting Policies

There have been no changes in accounting policies. New accounting policies adopted during the year are described in note 2 to the audited financial statements.

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 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 December 31, 2008, the Corporation had issued and outstanding 8,861,678 common shares with a recorded value of $2,816,462.

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 year ended December 31, 2008, the Corporation charged related parties rent totaling approximately $39,086 (2007 - $34,641). The companies are related by virtue of the fact that they have the same President. As at December 31, 2008, included in accounts receivable is an amount of $22,260 (2007 - $11,810) due from these related parties.

During the same period, the Corporation was charged consulting fees of $112,100 (2007 - $66,000) by an officer. As at December 31, 2008, included in accounts receivable is an amount of $26,250 (2007 - nil) due to the related party.

During the year, the Corporation incurred accounting fees of $104,026 (2007 - $91,750) with an accounting firm in which one of the Corporation's officers is a partner. As at December 31, 2008, accounts payable and accrued liabilities included $89,392 (2007 - $55,010) payable to this accounting firm.

As well, in the same period, the Corporation was charged fees of $28,328 (2007 - nil) by an architectural firm which has a director in common.

Interest expense on the loans during the year amounted to $60,000. At December 31, 2008, interest of $5,000 (2007 - $5,000) is unpaid and is included in accounts payable and accrued liabilities.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Corporation's Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining the Corporation's disclosure controls and procedures and internal control over financial reporting for the issuer. They are assisted in this responsibility by the Management Team. The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Corporation's disclosure controls and procedures and the design of internal controls over financial reporting at December 31, 2008, have concluded the Corporation's disclosure controls and procedures and design of internal control over financial reporting are adequate and effective to ensure that material information relating to the Corporation would have been known to them.

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

The current economic downturn and the extraordinary market volatility are negatively affecting all sectors of the economy and the capital markets. Gulf & Pacific Equities Corp is also impacted by these two factors. Specifically, the market volatility and the tightening of the capital markets are making refinancing of debt instruments challenging. The economic downturn has not dramatically affected our grocery anchor tenants as they are everyday staples, however smaller local retailers serving the discretionary product markets are starting to feel the effects of the economic downturn. As reported above, rental income remains stable for the past year due to new leases and lease renewals in the first half of the year and offset by vacancies near year end. However, management has no assurance that the continuing economic downtown will put unsustainable negative pressures on our smaller retail tenants.

For the Company, the challenge during the current economic downturn remains filling the vacancies at our Merritt property with the departure of Saan due to bankruptcy proceedings and our St. Paul property with the departure of Sobeys to a stand alone location and Saan. As well, management is focused on working closely with our existing small tenants to ensure the ongoing viabilities of all our properties.

In this regard, we are pleased to confirm that at the writing of this report, that Tim Hortons has signed a 10 years land lease for a stand alone pad site at our St. Paul Shopping Centre. This is the first step to reinvigorating the St. Paul Shopping Centre. Management is working on several potential new anchor tenants at the St. Paul Shopping Centre and are evaluating options for the Merritt property.

In addition to protecting our revenue stream, management is taking steps to reduce costs on the expense side of the ledger for all our properties.

To reduce costs and improve the Company's financial position the Company announced a number of successful financial transactions in January 2009. First the Company retired a $1 million second mortgage at 15%, with a three year $1 million second mortgage at 6.3%. At the same time, the Company negotiated an one year extension of the VTB on the Cold Lake Property at the same rate of 8.5%.

In a subsequent transaction, the Company remortgaged the Three Hills Property with a new 5 year first mortgage of $536,250 at a rate of 8.4%, with the funds going to general operations of the Company.

Tri-City Mall, Cold Lake, Alberta

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 year we renewed a number of leases and added some new tenants. As well, we are currently exploring lease extensions with our key tenants, negotiating with a national tenant for the remaining vacant space and continuing to explore the pad site development opportunities for a retail tenant with some national, as well as regional tenants. The challenge for the pad site development relates to availability of long term funding in today's tight capital markets, but the cost of construction is moving positively in our direction.

The oil industry is experiencing a slow down, but in the long term the oil industry along with CFB Cold Lake continues to provide a very good underpinning to the economy of Cold Lake. Located on the main highway through town, Tri-City Mall is well positioned to service this growing community's needs. The town is on track to start the twinning of the highway in front of the mall in 2009. The multi-million dollar Cold Lake Energy Centre, directly north of Tri-City Mall, was opened to the public for recreational services and helps to generate traffic for the mall. This, along with the rapidly progressing nearby residential development, is driving consumers to Tri-City Mall. As well, Staples, Shoppers Drug Mart, Royal Bank and Blockbuster are open in adjacent lots.

St. Paul Shopping Centre, St. Paul, Alberta

The Company has been working on a re-positioning of the St. Paul Shopping Centre now that Sobeys and Saan have moved from the mall. Discussions are on-going with several national retailers to replace Sobeys and Saan at each ends of the mall. As well, management of the Company have met and toured the mall with the consultant hired to provide a solution for the

local medical clinic in St. Paul. The anticipated release of the consultant's report is May or June of this year.

As noted above, we are pleased to announce that Tim Hortons will be coming to the St. Paul Shopping centre with an anticipated opening in early fall. The Company is in discussions with several well-known national retailers about the vacant space in St. Paul. Several have indicated to us that they are interested in moving into the Sobeys or Saan premises. We look forward to working with them and with other national tenants in the months ahead. Again, financing for the redevelopment is the main challenge in today's volatile markets. We hope to have another leasing announcement with a major national tenant by Q2 or Q3.

When we are able to re-lease the two anchor tenant space at each end of the mall, the St. Paul Shopping Centre will once again be a premier shopping destination for the Town of St. Paul and area.

Valley Centre Mall, Whitecourt, Alberta

Valley Centre Mall continues to operate at 100% occupancy and we are pleased to report that there are no major issues to report.

To increase revenue, management continues to explore the possibility of a pad site development with a possible national tenant. As well, management is looking at possible electronic signage to generate new revenue. Again, construction and long term financing remains a main barrier to growth.

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

Saan Stores Limited left this location in the spring of 2008. The Company is currently working with brokers and agents to try and secure a replacement tenant for this 12,000 square foot building, well located in the growing community of Merritt, B.C.

As noted in the financial statements, the Company is working through the current economic downturn with a focus on maintaining the current revenue base and securing additional revenue through new tenants. To achieve our objectives, the Company is relying on the management's contacts in the industry and the Company's strong tenant relationships to work through this economic downturn.

The success of the refinancing in January puts the Company in a good position until the fall, at which time the Company hopes the capital markets will start to rebound. The Company has a number of financial instruments due in Q3 and must identify replacement lenders for the existing debts. As well, new lenders for any redevelopments must be identified for the projects to move forward.

Concurrently, the Company recognizes tremendous growth opportunities in the market, as a result of the tightening of capital markets which potentially could drive distress sales of shopping centres located in communities across Western Canada. If equity financing can be secured, management feels that tremendous growth opportunities exist through the acquisition of new properties.

Management recognizes that paramount to our growth strategy is to secure equity financing for acquisitions or construction loans for intensification. Given the current extraordinary market volatility, standard mortgage financing will be difficult to obtain in the small markets where our properties are located. In addition, any drop in interest rates is offset by the increase in lenders' spreads, thus resulting in increases in the effective mortgage rate for most borrowers.

In March 2009, when the Company renewed its Normal Course Issuer Bid, it has not purchased back any shares during the past 12 months, as trading has been very light. 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. Current market volatility has added downward pressure on the Company's share price.

Management remains optimistic about the outlook for the balance of 2009. The economies of Alberta and British Columbia are not immune to the global economic downturn. At the writing of this report, both provinces are anticipating a recession period of one or two quarters, as a result of the global financial challenges. However, the Company's business model of investing in grocery or health care anchored shopping centres, with a focus on everyday needs, will help cushion from general economic downturns.

In 2005, Gulf & Pacific Equities Corp. was named the 22nd fastest growing company in Canada by "Profit" magazine, a Rogers' publication. In 2006 and 2008, the company made the list again as the 162nd and 145th fastest growing company in Canada.

On behalf of the Board of Directors,

(signed) "Anthony J. Cohen"
Anthony J. Cohen
President
April 27, 2009

Summary of Quarterly Financial Information

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

	Three Months Ended (Audited / Unaudited)			
	Dec 31 2008	**Sep 30 2008**	**Jun 30 2008**	**Mar 31 2008**
Revenue	$ 866,131	$ 1,164,456	$ 1,252,472	$ 1,105,502
Net Income (Loss) for the Period	(424,539)	(80,659)	(87,062)	(23,252)
Earnings (Loss) per common share - basic and diluted	(0.05)	(0.01)	(0.01)	-

	Three Months Ended (Audited / Unaudited)			
	Dec 31 2007	**Sep 30 2007**	**Jun 30 2007**	**Mar 31 2007**
Revenue	$ 1,140,880	$ 1,187,576	$ 1,109,935	$ 1,051,614
Net Income (Loss) for the Period	50,186	(208,263)	(205,078)	(22,672)
Earnings (Loss) per common share - basic and diluted	0.01	(0.03)	(0.02)	-