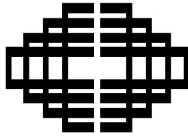

GULF & PACIFIC
EQUITIES CORP.

Dear Shareholders,

On behalf of the Board of Directors of Gulf & Pacific Equities Corp. I am pleased to present to you the 2009 audited annual statements for Gulf & Pacific Equities Corp. (TSX-V: GUF).

2009 was a demanding year for Canadians and the same was true for Gulf & Pacific Equities Corp., as we worked through the challenges of the economic downturn. We report that at year end overall revenue dropped by 10.4% compared to the previous year. As well, we are reporting to our shareholders Funds From Operations (FFO) of $0.03 for the year ended December 31, 2009 compared to $0.08 for the year ended December 31, 2008.

Looking forward to 2010, the company feels that although the difficult economic challenges for our tenants are behind us, the economic rebound will be slow and cautious. Until the vacancies in St. Paul are leased, management cautions that further negative impact of the economy on our tenants could result in negative operating funds in the current portfolio of properties.

The current economic conditions continue to 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 in both Canada and the US.

Management recognizes that paramount to our growth strategy is to secure equity financing for acquisitions or construction loans for intensification. The current economic situation remains challenging for new financing, in particular, financing will be difficult to obtain in the small markets where our properties are located. In addition, with interest rates set to increase, the cost of new borrowing will increase which could affect the Company’s bottom line.

In this regard, management is continuing to work towards securing new financing when due or prior to maturing if good rates are available. At the end of 2009 and completed in February 2010, the Company successfully raised $3,606,250 in new 5 year, 8% unsecured debentures, which was a combination of new funding and debt for debt exchange. The Company is actively monitoring interest rates in 2010 in anticipation of mortgages that will come due for renewal in the fall of 2011.

As well, the company recently renewed the Normal Course Issuer Bid in March 2010. The company continues to hold 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.

At Tri-City Mall, we continue to re-sign our current tenants with lease renewals in 2009 along with some short term rental agreements. The current vacancy is less than 7.6% at December 31, 2009. At the writing of this report management is working on a potential new pad site on the property. As well, we are in discussion with a national retailer for a major portion of the remaining vacant space. Regionally, the city of Cold Lake is continuing to grow and economic prospects are strong for 2010.

Our St. Paul Shopping Centre remains the prime focus for the Company. Management is aggressively courting a new medical clinic for St. Paul as one is desperately needed by the town. In addition, the Company has been having encouraging conversations with two national chains about anchoring the Centre. The Company anticipates positive news on the anchor tenants before the end of the second quarter. We are pleased that Tim Hortons opened in 2009 and is doing very good business on our site.

Our St. Paul property is well located on the main highway and as we purchased it for a cost of about $70.00 per square foot, it remains a good value for the Company. When we are able to re-lease the two anchor tenants' 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.

I am pleased to report that our Valley Centre Mall, in Whitecourt Alberta, remains 100% leased. Economic activities are looking up in the region and the mall is ideal for our intensification strategy. We continue to receive inquiries for space from retailers 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 continues to look at all available options for the property.

We are focused on maintaining a strong relationship with our many quality tenants such as Tim Hortons, Guardian Drugs, Suncor, 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 22, 2010

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 (TSX-V: GUF). The Company 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 22, 2010. 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 $29,443,089 as of December 31, 2009, compared to $29,410,862 as of December 31, 2008. The increase is mostly a result of the debenture proceeds receivable of $720,000 offset by decreases in amortization of the revenue producing properties, intangible assets, prepaid expenses, accounts receivable and accrued rent receivable. Cash increased from $10,262 at the end of 2008 compared to $38,444 at the end of 2009. As well, the prepaid expenses includes a $240,000 prepayment to the mortgage lender for our St. Paul Shopping Centre. Starting September 1, 2010, representing the last year of the mortgage, $20,000 will be deducted from the monthly principle and interest payment to the lender, as per the terms of the mortgage agreement.

Our cash balance increased by $28,182 during the twelve months to $38,444 at December 31, 2009, up from $10,262 as of December 31, 2008. Intangible assets decreased to $388,427 representing the lease origination costs, tenant relationships and above-market leases assumed on acquisition of Tri-City Mall, net of related accumulated amortization. Prepaid expenses decreased by $68,870 mostly due to the reallocation and writeoff of professional fees incurred in advance of new lease commitments with potential tenants. As noted above, $240,000 of the prepaid expenses will start being drawn down on September 1, 2010. Debenture proceeds receivable of $720,000 were received in full at the final closing on February 9, 2010. Accounts receivable decreased from $42,477 as of December 31, 2008 to $41,030 as of December 31, 2009 due to write up of allowance for doubtful accounts offset by collection of outstanding realty taxes and common area costs. Similarly, accrued rent receivable increased by $45,658 as a result of applying the straight-line method of recognizing rental revenue whereby the total amount of rental revenue received from all leases is accounted for on a straight-line basis over the term of the related leases. The difference between the rental revenue recognized and the amount contractually due under the lease agreements is charged to accrued rent receivable.

Total liabilities decreased from $28,293,869 as of December 31, 2008 to $27,978,864 as of December 31, 2009 representing a decrease of $315,005. The change is a result of increases in loans payable and accounts payable and accrued liabilities, offset by decreases in convertible

debentures of $353,137, intangible liabilities of $143,706 and mortgages payable decreasing to $22,549,628 as of December 31, 2009 down from $22,776,695 as of December 31, 2008 due to regular repayment of mortgages on the Company's properties. Convertible debentures decreased to $2,117,384 as of December 31, 2009 from $2,470,521 as of December 31, 2008 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 7 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 Company is obliged to pay the amount if the Tri-City Mall becomes fully leased subsequent to the purchase. Since the Company expects to fully lease the property in 2010, this obligation has been fully provided for. The loans payable of $1,173,268 includes 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. As well, a third loan in the amount of $197,500 was incurred during the year and is due on August 31, 2010. The intangible liabilities of $451,002 at of December 31, 2009 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 $1,028,806 as of December 31, 2009 from $793,169 as of December 31, 2008 due mainly to increases in accounts payable for the year.

Shareholders' equity stood at $1,464,225 as of December 31, 2009 compared to $1,116,993 as of December 31, 2008. The increase was due to the allocation of the equity component of the new convertible debentures offset by the increase in the Company's deficit increasing to $4,976,808 from $4,011,621 as a result of the net loss as explained below.

Statements of Operations

For the year ended December 31, 2009 revenue decreased to $3,933,594 from $4,388,561 as of December 31, 2008, a decrease of 10.4%. 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 $297,655 or 9.6.% and common area and realty tax recoveries decreased by $154,639 or 12.0% for the year.

For the period ended December 31, 2009, expenses decline to $4,898,781 from $5,004,073 as of December 31, 2008, a decrease of $105,292 or 2.0 %. The primary reason for the decrease in expenses was the one time charge for loss on extinguishment of convertible debentures of $155,865 in 2008, a non-cash item, as a result of the 5 year extension on the $896,250 debenture in 2008, and none in 2009.

Specifically, interest expenses decreased to $1,893,179 as of December 31, 2009 from $1,966,499 as of December 31, 2009, representing a decrease of 3.7%. These decreases in expenses are offset by an increase of $54,163 in operating costs and realty taxes representing an increase of 3.4%. An increase in administration expenses of $36,436 or 4.9% due primarily to one time write off of lease development charges. As well, non-cash amortization expense decreased to $558,163 for the year ended December 31, 2009 from $563,293 for the year ended December 31, 2008. Stock-based compensation of $38,424 was recorded in 2009 and nil for 2008. Net of the one time write off of lease development charges, overall expenses are declining. Management remains focused on controlling costs and operating efficiently.

Loss for the year ended December 31, 2009 was $965,187 compared to $615,512 for the year ended December 31, 2008. As a result, loss per share of $0.11 in 2009 compared to a loss per share of $0.07 in 2008.

Statements of Cash Flows

On the statements of cash flows, cash provided by operations totaled $229,034 for the year ended December 31, 2009 compared to $675,896 for the year ended December 31, 2008. This represents a Funds From Operations (FFO) of $0.03 per share for the year.

Financing activities used $190,278 in funds for the year ended December 31, 2009 compared to $690,402 in funds used for the year ended December 31, 2008. The main change was the repayment of mortgages payable during the year offset by new financing for the year. For the year ended December 31, 2009, $10,000 was invested in revenue producing properties compared to $166,776 being invested for the year ended December 31, 2008. As at December 31, 2009 the Company had $38,444 in cash compared to $10,262 as of December 31, 2008.

Liquidity

The Company had cash of $38,444 as of December 31, 2009. Management feels that with the successful completion of its financing which was started November 2009 and completed in February 2010, the Company has adequate liquidity with which to carry on its operations for fiscal 2010.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet transactions for the year ended December 31, 2009 or the year ended December 31, 2008.

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.

International Financial Reporting Standards

The CICA plans to converge Canadian Generally Accepted Accounting Principles (GAAP) with International Financial Reporting Standards (IFRS) effective January 1, 2011.

In accordance with the impending changes, the Company is performing an ongoing review of the accounting changes in order to ensure successful implementation within the required time frame.

For fiscal year 2009, the Company will continue to report under the Canadian GAAP. For the 2010 transition year, the Company will report under the Canadian GAAP for all public disclosures. As well, to prepare for comparative purposes for the 2011 financial statements, the Company will prepare internal 2010 financial statements under IFRS.

The impact of the transition to IFRS on the Company's financial statements is not yet determinable. Key information will be disclosed as it becomes available during the transition period.

As of January 1, 2011 the Company will be reporting under the IFRS.

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, 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 Company is authorized to issue an unlimited number of common shares without par value. As at December 31, 2009, the Company had issued and outstanding 8,861,678 common shares with a recorded value of $2,816,462.

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 year ended December 31, 2009, the Company charged related parties rent totaling approximately $36,114 (2008 - $39,086). The companies are related by virtue of the fact that they have the same President. As at December 31, 2009, included in accounts receivable is an amount of $33,314 (2008 - $22,260) due from these related parties.

During the same period, the Company was charged consulting fees of $87,100 (2008 - $112,100) by an officer. As at December 31, 2009, included in accounts receivable is an amount of $16,550 (2008 - $26,250) due to the related party.

During the year, the Company incurred accounting fees of $88,080 (2008 - $104,026) with an accounting firm in which one of the Company's officers is a partner. As at December 31, 2009, accounts payable and accrued liabilities included $89,245 (2008 - $89,392) payable to this accounting firm.

As well, in the same period, the Company was charged fees of $nil (2008 - $28,328) 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, 2009, interest of $65,000 (2008 - $5,000) is unpaid and is included in accounts payable and accrued liabilities.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining the Company'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 Company's disclosure controls and procedures and the design of internal controls over financial reporting at December 31, 2009, have concluded the Company'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 Company would have been known to them.

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

The Company anticipates that the economic turn around will be slow and cautious. Specifically, the market volatility and the tightening of the capital markets will remain in the foreseeable future, thus making refinancing of debt instruments challenging. Operationally, our business model has enabled the Company to weather the economic downturn better than most sectors, as our grocery anchor tenants and smaller local retailers have weathered the economic downturn and are looking positively forward for 2010. Many tenants are restocking their inventories with new merchandise which is positive for all our properties.

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 in the past year 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 viability of all our properties.

We are pleased to report that, with the exception of Merritt and St. Paul, we have been able to renew all our long term leases when due, as well as adding several new tenants in 2009.

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 a one year extension of the Vendor Take Back mortgage 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.

At the end of 2009 and completed in early 2010, the Company completed the issuance of new $3,606,750, 5 year, 8% unsecured debentures maturing Dec 31, 2014. This financing consists of $720,000 in new funding and $2,886,250 of debt for debt exchange. At the completion of this financing the Company was able to secure a major portion of their long term financing.

The largest portion of the long term financing is the mortgages. In anticipation of an increase in interest rates, the Company is actively monitoring lending rates in 2010 in anticipation of mortgages that will come due for renewal in the fall of 2011.

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. Management is pleased to report that Sobeys has extended their lease for an additional 5 years, expiring in 2018. As well, we are currently exploring lease extensions with other key tenants and negotiating with a national tenant for the remaining vacant space.

Activity is picking up in the Alberta oil patch and this is good for Cold Lake. The Company is currently looking at developing a strip retail pad on our excess acreage in Cold Lake. As well, we are in discussions with two national chains for the pad site. If developed, this project would add value to Gulf's portfolio as well as provide accretive cash flow.

St. Paul Shopping Centre, St. Paul, Alberta

Since the departure of Sobeys and Saan, the Company has been working to fill the anchor vacancies in this property. As mentioned earlier, after 2 years of work, we managed to bring the first Tim Horton's to St. Paul in 2009. This restaurant/drive through opened as planned in August. This has been a most welcome addition to the St. Paul Shopping Centre, and is bringing additional retail traffic to our site. As well, the Company secured a new inside tenant for the mall.

In addition, the Company has been having encouraging conversations with two national chains about anchoring the Centre, but as of this report there is no signed lease agreement. We are also aggressively courting a new medical clinic for St. Paul as one is desperately needed by the town. The Company anticipates positive news on the anchor tenants before the end of the second quarter.

Our property is well located on the main highway and as we purchased it for a cost of about $70.00 per square foot, it remains a good value for the Company. When we are able to re-lease the two anchor tenants' 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. 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

The property is still vacant at this time. The Company is working with brokers and agents to try and secure a potential tenant for this 12,000 square foot building, well located in the growing community of Merritt, B.C.. We will keep shareholders posted as we continue to give our best efforts to fill this building.

The Company remains confident that the vacancies will be filled up in the near future. Management is looking at every opportunity in the market. Much effort and creativity has been placed on securing new tenants. As well, we are negotiating with potential tenants by offering many different permutations and combinations. We will be successful!

In March 2010, 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.

The current economic conditions continue to 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 in both Canada and the US.

Management recognizes that paramount to our growth strategy is to secure equity financing for acquisitions or construction loans for intensification. The current economic situation remains challenging for new financing, in particular, financing will be difficult to obtain in the small markets where our properties are located. In addition, with interest rates set to increase, the cost of new borrowing will increase which could affect the Company's bottom line.

The Company remains optimistic about the outlook for the balance of 2010. Our business model of investing in anchored shopping centres, with a focus on everyday needs, remains to be our competitive advantage during difficult economic conditions. With the issuance of the new 5 years, 8% unsecured debentures mentioned above, the Company has secured a major portion of its long term financing. However, the Company is actively seeking additional capital for its growth strategy.

On behalf of the Board of Directors,

(signed) "Anthony J. Cohen"
Anthony J. Cohen
President
April 22, 2010

Summary of Quarterly Financial Information

The quarterly financial results for fiscal year ended 2009 and 2008 are summarized as follows:

	Three Months Ended (Audited / Unaudited)			
	Dec 31 2009	Sep 30 2009	Jun 30 2009	Mar 31 2009
Revenue	$ 960,337	$ 1,040,704	$ 1,018,222	$ 914,331
Net Income (Loss) for the Period	(426,709)	(111,062)	(185,747)	(241,669)
Earnings (Loss) per common share - basic and diluted	(0.04)	(0.02)	(0.02)	(0.03)

	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)	-