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 2010 audited annual statements for Gulf & Pacific Equities Corp. (TSX-V: GUF).

2010 was the start of a turn around year for Gulf & Pacific Equities Corp., as we worked through the challenges of re-leasing our properties in a continuing global economic downturn. However, with high oil prices, northern Alberta is experiencing an economic turn around ahead of everyone else which is where the majority of our properties are located.

We report that at year end overall revenue dropped by 3.0% compared to the previous year. As well, we are reporting to our shareholders Funds From Operations (FFO) of $0.01 for the year ended December 31, 2010 compared to $0.03 for the year ended December 31, 2009.

Looking forward to 2011, the company feels that with the economic rebound occurring in Alberta, and the work of management, that our St. Paul Shopping Centre will be on route to being fully leased once again. This will be the most significant near-term factor for the company. As well, the company is working with national tenants for the vacant space in Tri-City Mall and on-going discussions are continuing for a new pad site, also at Tri-City Mall.

The 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. In this regard, the company is exploring all opportunities in both Canada and the US., 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. 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 possible interest rate increases, the cost of new borrowing could increase which would 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. The Company is actively monitoring interest rates in 2011 in anticipation of mortgages that will come due for renewal in the fall of 2011 and early 2012.

As well, the company recently renewed the Normal Course Issuer Bid in April 2011. 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 2010 along with some short term rental agreements. The current vacancy is less than 8.2% at December 31, 2010. As well, we are in discussion with a national retailer for a major portion of the remaining vacant space. At the writing of this report management is working on a potential new pad site on the property. Regionally, the city of Cold Lake is continuing to grow and economic prospects are strong for 2011.

Our St. Paul Shopping Centre remains the prime focus for the Company for 2011. The Company is pleased to report that in April 2011, the Company announced that LW Stores and Giant Tiger Stores are now the two new anchor tenants leasing a combined total of 45,228 sq. ft. or 65% of leaseable space. The remaining Commercial Retail Unit space totals 20,197 sq. ft. which is more than half filled with existing tenants on short term rental contracts. The Company intends to sign long term leases with the current tenants and is in discussion with potential tenants for the unfilled vacancies of less than 9,681 sq. ft. or 14.0% of leaseable space. The two pad sites are leased by Tim Hortons which opened in 2009, and our long term tenant Suncor. A potential third pad site is being considered and the mall is shaping up to be a strong retail centre in St. Paul.

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 Giant Tiger Stores, Guardian Drugs, LW Stores, Reitmans, Rexall Drug Stores, Sobeys, Suncor, Tim Hortons and The Bargain! Shop. To view a complete list of our tenants please visit our 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 20, 2011

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 20, 2011. 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 $28,439,691 as of December 31, 2010, compared to $29,443,089 as of December 31, 2009. The decrease is mostly a result of using the debenture proceeds of $720,000 for financing and investing activities, and the amortization of the revenue producing properties and intangible assets. Cash increased from $38,444 at the end of 2009 compared to $64,382 at the end of 2010. As well, the prepaid expenses includes a $240,000 prepayment to the mortgage lender for our St. Paul Shopping Centre.

Our cash balance increased by $25,938 during the twelve months to $64,382 at December 31, 2010, up from $38,444 as of December 31, 2009. Intangible assets decreased to $248,128 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 increased by $88,808 mostly due to the reallocation of professional fees incurred for work on a future pad site. As noted above, $240,000 of the prepaid expenses includes the prepayment to the mortgage lender. Accounts receivable increased from $41,030 as of December 31, 2009 to $91,925 as of December 31, 2010 due to write up of allowance for doubtful accounts offset by collection of outstanding realty taxes and common area costs. Accrued rent receivable increased by $45,404 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 $27,978,864 as of December 31, 2009 to $27,723,926 as of December 31, 2010 representing a decrease of $254,938. The change is a result of increases in convertible debentures, loans payable and accounts payable and accrued liabilities, offset by decreases in intangible liabilities of $138,816 and mortgages payable decreasing to $21,989,956 as of December 31, 2010 down from $22,549,628 as of December 31, 2009 due to regular repayment of mortgages on the Company's properties. Convertible debentures increased to $2,343,706 as of December 31, 2010 from $2,117,384 as of December 31, 2009 due to 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 6 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 2011, this obligation has been fully provided for. The loans payable includes a convertible debenture of $1,115,000 with the conversion feature subject to disinterested shareholders approval in June 2011 and a $265,000 loan incurred during the year and is due on December 21, 2011. The intangible liabilities of $312,186 at of December 31, 2010 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 $1,039,302 as of December 31, 2010 from $1,028,806 as of December 31, 2009 due mainly to increases in accounts payable for the year.

Shareholders' equity stood at $715,765 as of December 31, 2010 compared to $1,464,225 as of December 31, 2009. The decrease was due to the Company's deficit increasing to $5,754,991 from $4,976,808 as a result of the net loss as explained below.

Statements of Operations

For the year ended December 31, 2010 revenue decreased to $3,829,121 from $3,933,594 for the year ended December 31, 2009, a decrease of 2.7%. 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 $10,926 or 0.4.% and common area and realty tax recoveries decreased by $93,834 or 8.3% for the year.

For the period ended December 31, 2010, expenses declined to $4,607,304 from $4,898,781 for the year ended December 31, 2009, a decrease of $291,477 or 6.0 %. The primary reason for the decrease in expenses was the cost cutting efforts in both administration and operating costs offset by an increase in interest expenses due to the new debentures.

Specifically, interest expense increased to $1,947,650 for the year ended December 31, 2010 from $1,893,179 for the year ended December 31, 2009, representing an increase of 2.9%. The increase in expenses is offset by a decrease of $194,531 in operating costs and realty taxes representing a decrease of 12.0%. A decrease in administration expenses of $129,305 or 16.5% is due primarily to a reduced write off of lease development charges. As well, non-cash amortization expense decreased to $544,752 for the year ended December 31, 2010 from $558,163 for the year ended December 31, 2009. Stock-based compensation of $29,723 was recorded in 2010 compared to $38,424 for 2009. Net of the one time write off of lease development charges, the overall expenses have not changed year over year. Management remains focused on controlling costs and operating efficiently.

Loss for the year ended December 31, 2010 was $778,183 compared to $965,187 for the year ended December 31, 2009. As a result, loss per share was $0.09 in 2010 compared to a loss per share of $0.11 in 2009.

Statements of Cash Flows

On the statements of cash flows, cash provided by operations totaled $83,598 for the year ended December 31, 2010 compared to $229,034 for the year ended December 31, 2009. This represents a Funds From Operations (FFO) of $0.01 per share for the year.

Financing activities provide $131,464 in funds for the year ended December 31, 2010 compared to $190,278 in funds used for the year ended December 31, 2009. The main change was the receipt of the debenture proceeds receivable in 2010.

For the year ended December 31, 2010, $189,124 was invested in revenue producing properties compared to $10,574 being invested for the year ended December 31, 2009, mostly due to a new roof in the St. Paul Shopping Centre. As at December 31, 2010 the Company had $64,382 in cash compared to $38,444 as of December 31, 2009.

Liquidity

The Company had cash of $64,382 as of December 31, 2010. 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 2011.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet transactions for the year ended December 31, 2010 or the year ended December 31, 2009.

International Financial Reporting Standards

In 2008, the Accounting Standards Board announced that Canadian publicly accountable companies would be required to converge Canadian Generally Accepted Accounting Principles (GAAP) with International Financial Reporting Standards (IFRS) effective January 1, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosures.

The Company developed a three stage changeover plan to adopt IFRS by January 1, 2011 as follows:

(i) Initial Diagnostic: This first stage involved the development of an initial project plan and structure, the identification of differences between IFRS and existing Canadian GAAP, and an assessment of their applicability and the expected impact on the Company.

(ii) Impact analysis, Evaluation and Conversion: The second stage included the detailed review and selection of accounting policy choices relating to each IFRS standard. This phase also included assessing the impact of the conversion on business activities, including the effect on information technology and data systems, income tax, internal controls over financial reporting, and disclosure controls. In this stage, accounting policies were finalized, first-time adoption exemptions and exceptions were considered, and draft financial statements and note disclosures were developed.

(iii) Implement and Review: The final stage involves the actual implementation of IFRS standards. This stage involves the finalization of IFRS conversion impacts, approval and implementation of accounting policies, implementation and testing of new processes, systems and controls, and the execution of detailed training where required.

IFRS compliant financial statements are to be prepared for annual and interim financial statements commencing on or after January 1, 2011. The first unaudited interim financial statements under IFRS will be the quarter ending March 31, 2011, with comparative financial information for the quarter ended March 31, 2010. The first audited annual financial statements will be for the year ending December 31, 2011, with comparative financial information for the year ended December 31, 2010. This also means that all the opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the January 1, 2010 opening balance sheet which will be issued as part of the comparative financial information in the March 31, 2011 unaudited interim financial statements.

The Company's staff involved in the preparation of financial statements were trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. The needs of other members of the audit committee and the Company were reviewed. The Board of Directors and the Audit Committee have been updated on the progress of the IFRS conversion.

Based on the standards as they currently exist, the Company has completed its assessment of the impacts of adopting IFRS, and has identified the following as having the greatest potential to impact the Company's accounting policies, financial reporting and information systems requirements upon conversion to IFRS.

The Company performed the evaluation and assessment of IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") with the purpose of selecting optional exemptions and certain mandatory exceptions allowed to the Company upon transition to IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively, with specific mandatory exemptions and a limited number of optional exemptions. The Company expects to elect the following optional exemptions which is expected to have significant impact on the Company's results:

a) Investment Property

Under IAS 40 – Investment Property, investment property is defined as property held to earn rentals, capital appreciation, or both, rather than for use in the production or supply of goods or services, administrative purposes, or for sale in the ordinary course of business. The Company's investment properties, under IFRS, consist of all of the Company's income producing properties, properties under development and surplus lands.

Similar to Canadian GAAP, under IFRS, investment property is initially recognized at cost. Subsequent to initial recognition IFRS requires that an entity account for investment property using either the cost or fair value model.

First time adoption of IFRS, allows an entity, at the date of transition to IFRS, to revalue investment properties at fair value and deem this amount as cost going forward, if the entity chooses the cost model.

It is also allowable, under IFRS, for an entity to maintain historical cost and continue to use the cost model. The cost model is generally consistent with Canadian GAAP in existence at December 31, 2010, in that investment properties are carried at cost less accumulated depreciation on the balance sheet. If the cost model is chosen, the fair value is required to be disclosed in the notes to the consolidated financial statements.

After review and analysis the Company intends to use the fair value method of presenting its investment properties as it is a more meaningful measure of the Company's primary assets. The opening adjustment to fair value at the transition date will be recorded in shareholders' equity. Fair value represents the amount at which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction at the date of valuation.

The Company proposes that the fair value of investment properties will be determined on a combination of external appraisals, which will be obtained in the normal course of business for financing and other purposes, and internal valuations based on a capitalization matrix provided by independent external sources. Management will undertake annual review of the fair value of its investment properties to assess the continuing validity of the underlying assumptions such as cash flow and capitalization rates. Where increases or decreases are warranted, the Company will adjust the fair values of its investment properties.

Under the fair value model depreciation of investment properties will no longer be recorded. Straight-line rent, goodwill and intangible assets and liabilities which are currently reported separately under Canadian GAAP, are effectively included in the fair value of investment properties under IFRS. Straight-line rent, although effectively included in investment properties, will continue to be amortized as a reduction or increase of revenue.

The Company is currently finalizing the fair value of each of its properties to be initially reported in the first unaudited interim financial statements under IFRS for the quarter ending March 31, 2011.

b) Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combination retrospectively to business combinations that occurred before the date of transition to IFRS. The Company will take advantage of this election and will apply IFRS 3 to business combinations that occurred on or after January 1, 2010.

c) Share-based payments

IFRS 1 allows that full retrospective application may be avoided for certain share-based instruments depending on the grant date, vesting terms and settlement of any real liabilities. A first-time adopter can elect to not apply IFRS 2 to share-based payments granted after November 7, 2002 that vested before the later of (a) the date of transition to IFRS and (b) January 1, 2005. The Company plans to elect this exemption and will apply IFRS2 to only unvested stock options as at January 1, 2010 being the transition date. As at January 1, 2010, the Company had no unvested stock options.

d) Leases

IFRS requires rental revenue to be recognized on a straight-line basis considering all rental payments from the start of each lease, whereas GAAP requires the recognition only on a prospective basis subsequent to the adoption of the accounting policy which was January 1, 2004. The impact of this change has not been quantified at this stage, but will be reported in the operating results of the Company for the quarter ending March 31, 2011.

e) Intangible Assets and Liabilities

With the adoption of IFRS, we derecognized our intangible assets and liabilities that relate to tenant leases otherwise considered in the determination of the fair value of our investment properties. This will result in a decrease to intangible assets and liabilities and will be reported for the quarter ending March 31, 2011.

f) Convertible Debentures

Under IFRS, the Company will be required to present the conversion feature of its convertible debentures as a liability measured at fair value. Alternatively, the Company can choose to measure the entire balance of convertible debentures at fair value rather than separate the embedded derivative. In either case, the opening adjustment to fair value at the transition date will be recorded in shareholders' equity, with the changes to the fair value for each period being recorded in the consolidated statement of income and other comprehensive loss. Under Canadian GAAP, the value of the conversion feature of the Company's convertible debentures is included as a component of shareholders' equity and is not remeasured at fair value at each reporting date. The liability component of the convertible debentures is measured at amortized cost under Canadian GAAP. The Company is currently reviewing the impact of this change to the financial statements, as the Company's convertible debentures are not publicly traded and therefore a valuation methodology will need to be applied to arrive at the IFRS balances. Application of IFRS with respect to the Company's convertible debentures may create a material difference compared with the balances currently reported under Canadian GAAP.

g) Income taxes

In December 2010, the IFRS Foundation issued amendments to International Accounting Standard ("IAS") 12, "Income taxes" to provide a practical approach for measuring deferred tax liabilities and deferred income tax assets when investment property is measured using the fair value model in IAS 40, "Investment Property". The amendments introduce a rebuttable presumption that an investment property measured using the fair value model is recovered entirely through sale rather than through use. The presumption is rebutted if the investment property is held within a business model whose objectives is to consume substantially all the economic benefits embodied in the investment property over time, rather than through sale. The Company intends to adopt the presumption that the carrying amount of the investment property will be recovered through sale and accordingly the measurement of the deferred tax liability (or asset) reflects such tax consequences. The Company cannot quantify the impact of any such adjustment at the present time.

h) Retained earnings

The Company is in the process of finalizing the impact of the changes noted above on retained earnings. There will be an increase by virtue of the increase in the value of the investment portfolio reduced by an increase in income taxes.

Differences between IFRS and Canadian GAAP, in addition to those referenced above, may continue to be identified based on further detailed analyses by the Company and future changes in IFRS. The Company believes that the changes identified to date have a significant impact on the Company.

Internal Control over Financial Reporting

The conversion to IFRS from Canadian GAAP impacts the way we present our financial results and the accompanying disclosures. We have evaluated the impact of the conversion on our financial reporting systems, processes and controls and have noted that the most significant change to our internal control and disclosure environment is the requirement to measure and report our portfolio of investment properties at fair value. This change has required us to design and implement new processes and internal controls surrounding the determination of fair values which include, but are not limited to, management's consideration of recent and comparable transactions, discount rates, estimates of future rental rates and leasing activities, and future capital expenditures, as well as, where appropriate, engaging external specialists to assist with the determination of fair value.

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, 2010, 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, 2010, the Company charged related parties rent totaling approximately $35,685 (2009 - $36,114). The companies are related by virtue of the fact that they have the same President. As at December 31, 2010, included in accounts receivable is an amount of $66,400 (2009 - $33,314) due from these related parties.

During the same period, the Company was charged consulting fees of $87,100 (2009 - $87,100) by an officer. As at December 31, 2010, included in accounts receivable is an amount of $15,250 (2009 - $16,550) due to the related party.

During the year, the Company incurred accounting fees of $109,187 (2009 - $88,080) with an accounting firm in which one of the Company's officers is a partner. As at December 31, 2010, accounts payable and accrued liabilities included $54,690 (2009 - $89,245) payable to this accounting firm.

Interest expense on the loans during the year amounted to $50,000 (2009 - $60,000). At October 31, 2010, outstanding interest of $115,000 and the principal of $1,000,000 was paid by issuance of convertible debentures totaling $1,115,000 as described in Note 6.

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, 2010, 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

Globally, the economic turn around is slow and cautious, but in Northern Alberta, where our properties are located, high oil prices are leading an economic up turn ahead of many other economies. The Company is noticing an increased interest in retail space by retailers and income producing properties by investors. However, capital markets still remain cautious and will remain so 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 2011. New tenants are leasing space in our properties which will be positive going forward. Management has no assurance that if the economic downtown continues for a longer period than anticipated, that our smaller retail tenants can remain in business.

For the Company, management successfully re-leased the two St. Paul Shopping Centre anchor vacancies in 2010 and early 2011. For the remainder of 2011, management is focused on working closely with our existing tenants to sign new leases and to attract new tenants to fill the remaining vacancies. As well, management has approached a number of national retailers for the Merritt property.

On the expense side, management is maintaining on going steps to reduce costs at the corporate level and, when appropriate, to reduce CAM expenses on all properties.

In 2010, the Company converted a loan of $1,000,000, plus accrued interest of $115,000 to a 5 year unsecured 8% convertible debenture with face value of $1,115,000. The conversion feature is subject to disinterested shareholder approval in June 2011. This leaves only one short term loan remaining due in 2011.

The largest portion of the long term financing is the mortgages due in 2011 and early 2012. In anticipation of a possible interest rate increase in 2011, the Company is actively monitoring lending rates in anticipation of mortgages that will come due for renewal in 2011.

Tri-City Mall, Cold Lake, Alberta

The 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

In 2009, after 2 years of work, we managed to bring the first Tim Horton's to St. Paul. This restaurant/drive through opened as planned in August 2009. This has been a most welcome addition to the St. Paul Shopping Centre, and is bringing additional retail traffic to our site.

In April 2011, the Company announced that LW Stores and Giant Tiger Stores are now the two new anchor tenants leasing a combined total of 45,228 sq. ft. or 65% of leaseable space. The remaining CRU space totals 20,197 sq. ft. which is more than half filled with existing tenants on short term rental contracts. The Company intends to sign long term leases with the current tenants and is in discussion with potential tenants for the unfilled vacancies of less than 9,681 sq. ft. or 14.0% of leaseable space. The two pad sites are leased by Tim Hortons which opened in 2009, and our long term tenant Suncor. A potential third pad site is being considered and the mall is shaping up to be a strong retail centre in St. Paul, after three years of tough lease work.

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 increase revenue, management continues to explore the possibility of a pad site development with a possible national tenant. Again, construction costs and long term financing remain the main barriers 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, just like we have been in securing anchor tenants in St. Paul.

In April 2011, the Company renewed its Normal Course Issuer Bid, but 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 possible interest rate increases, the cost of new borrowing might increase which could affect the Company’s bottom line.

The Company remains optimistic about the outlook for the balance of 2011. 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 debentures in 2010, the Company has secured a major portion of its long term financing. The primary financing focus will be the renewal of mortgages due in 2011 and early 2012.

On behalf of the Board of Directors,

(signed) "Anthony J. Cohen"
Anthony J. Cohen
President
April 20, 2011

Summary of Quarterly Financial Information

The quarterly financial results for fiscal year ended 2010 and 2009 are summarized as follows:

	Three Months Ended (Audited / Unaudited)			
	Dec 31 2010	Sep 30 2010	Jun 30 2010	Mar 31 2010
Revenue	$ 947,499	$ 934,664	$ 1,015,427	$ 931,531
Net Income (Loss) for the Period	(181,929)	(183,653)	(235,913)	(176,688)
Earnings (Loss) per common share - basic and diluted	(0.02)	(0.02)	(0.03)	(0.02)

	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)