Gulf & Pacific
Equities Corp.

LETTER TO SHAREHOLDERS

Dear Shareholder,

I am pleased to report your Corporation's second quarter results for 2008.

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. The Company commenced active operations during the 1999 fiscal year. Gulf & Pacific is focused on the acquisition, management and development of grocery store anchored shopping centres.

This MD&A is prepared as of August 27, 2008. It contains certain forward-looking statements that involve known and unknown risks and uncertainties that are beyond Gulf & Pacific's control.

Results of Operations

Balance Sheets

On the balance sheet, total assets stood at $30,068,511 as of June 30, 2008, compared to $30,115,838 as of December 31, 2007. The decrease of $47,327 in total assets was primarily due to normal amortization of revenue producing properties, intangible assets and accounts receivable, offset by increases in cash, prepaid expenses and accrued rent receivables.

Our cash balance increased by $226,503 during the six months to $418,047 at June 30, 2008, up from $191,544 as of December 31, 2007. This increase is due to payments for realty taxes by tenants in the second quarter which will be paid in the third quarter. Intangible assets decreased by $73,061 due to amortization representing the normal accounting treatment for the associated cost. Prepaid expenses increased to $338,293 largely due to the prepaid mortgage at St. Paul, professional fees for leasing renewals and intensification strategy for the properties. Accounts receivable decreased from $376,792 to $134,351 due to collection of outstanding realty taxes and CAM. Accrued rent receivable increased to $292,545 from $226,270 reflecting additional rent expected with step rent leases.

With respect to liabilities, mortgages payable decreased to $22,986,522 as of June 30, 2008 down from $23,189,762 as of December 31, 2007 due to regular repayment of mortgages on the Company's properties. Convertible debentures increased to $2,638,938 from $2,495,704 as of December 31, 2007. In accordance with generally accepted accounting principles, the convertible debentures are carried at an amount that increases as time passes (see note 4 to the unaudited quarterly financial statements) reflecting a non cash allocation within the balance sheet.

Purchase price payable represents an agreement to pay the stated fixed sum, if and when the vacant space at Tri-City Mall becomes leased. Loans payable represents two loans due November 30, 2008, as part of the December 2006 financing for Tri-City Mall. Intangible liabilities is a non-cash item that decreases over time, due to amortization reflecting the accounting treatment for the value of the leases resulting from the purchase of Tri-City Mall. Accounts payable and accrued liabilities increased to $968,886 from $766,594 due mainly to normal payments in property taxes, common area expenses and debenture interest.

Total liabilities increased to $28,927,130 from $28,864,143 as of December 31, 2007, an increase of $62,987. As noted above, this increase is primarily due to the accounts payable which includes the realty taxes due and accrued interest on convertible debentures due in July, as well as a decrease in intangible liabilities, a non-cash item.

Shareholders' equity stood at $1,141,381 compared to $1,251,695 as of December 31, 2007. The decrease of $110,314 was due to the loss for the six months, mostly from non-cash items.

Statements of Operations

For the three months ended June 30, 2008 revenue increased to $1,252,472 from $1,109,935 for the same period last year, representing an increase of $142,537. Common area and realty tax recoveries were up by $117,228, due to annual realty taxes recovery from tenants.

For the three month period ended June 30, 2008, expenses rose to $1,339,534 from $1,315,013 for the same period last year, an increase of $24,521. The main reasons for the increase in expenses were annual second quarter increases in operating costs due to realty taxes, offset by decrease in administration represented by professional fees and office & general.

The loss for the three month period was $87,062 compared to $205,078 for the same period last year.

Statements of Cash Flows

On the statements of cash flows, the three months cash provided from operations totaled $420,025 compared to $304,482 for the same period last year, representing an increase of $115,543. The increase in cash provided by operations is primarily a result of realty tax payments by tenants in the second quarter.

Financing activities for the three months used $179,850 in funds compared to $113,567 for the period a year ago. The main change was the prepayment of mortgages of $60,000 and the repayment of mortgages payable of $119,850 compared to $113,567 for the same period last year.

For the three month period, there were no funds invested in revenue producing properties compared to $9,099 being invested during the same period last year. As at June 30, 2008 the Company had $418,047 in cash compared to $443,633 at the same time a year ago.

Liquidity

The Company had cash of $418,047 as of June 30, 2008. Management feels that it has adequate liquidity with which to carry on its operations during the remainder of fiscal 2008.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet transactions for the three months ended June 30, 2008 or the year ended December 31, 2007.

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, mortgages payable and convertible debentures. The debt component of the convertible debentures is reflected as a financial liability (see note 4 to the unaudited quarterly financial statements) and the equity component of the convertible debenture is included in shareholders' equity.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. As at June 30, 2008, the Company had issued and outstanding 8,672,303 common shares with a recorded value of $2,749,312.

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 three months ended June 30, 2008, the Company charged a related party rent of approximately $12,000. The companies are related by the fact that they have the same President and Chief Financial Officer.

In addition, the Company charged another related party rent of $6,000. These companies are related by virtue of the fact that they have the same President and CEO. The subleasing of office space helps offset some of the Company's administrative expense.

Also, during the three month period ended June 30, 2008, the Company was charged consulting fees of $68,550 by an officer.

During the three months ended June 30, 2008, the Company incurred accounting fees of $67,726 with an accounting firm in which one of the Company's officers is a partner.

During the period, the Company was charged fees of $13,288 by an architectural firm which has a director in common.

Changes In Accounting Policies

The CICA plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards (IFRS) effective January 1, 2011. The impact of the transition to IFRS on the Company's financial statements is not yet determinable.

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

Management is cautiously optimistic about the outlook for the balance of 2008 as we face a couple of challenges at two sites. In the spring, we reported the audited results of 2007 which showed a 115% increase in revenue for the year and a FFO (Funds From Operations) of $0.07 per share. In this quarter, we are reporting a FFO of $0.05 per share as we continue to generate strong revenue for the Company.

However, there are challenges. First is the imminent departure of Sobeys at our St. Paul Shopping Centre in September 2008. The second is the departure of Saan at our Merritt property, due to bankruptcy proceedings. At the time of this writing, Saan's leases with Gulf & Pacific Equities Corp. have been taken over by The Bargain! Shop in a court approved proceeding. The Bargain! Shop has expressed interest to remain at the St. Paul Shopping Centre and the Valley Centre Mall. The impact of Sobeys at St. Paul Shopping Centre and Saan at our Merritt property are both discussed below.

Tri-City Mall, Cold Lake, Alberta

Tri-City Mall has become the flagship mall in the Company's portfolio and again reaffirms that it was a very good strategic acquisition for Gulf & Pacific. We have renewed a number of leases and added some new tenants. As well, we are currently exploring pad site re-development opportunities with some national, as well as regional tenants. Discussions are ongoing with several existing tenants for possible expansion.

The oil industry together with CFB Cold Lake provides 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. Recently, the town has announced the twinning of the highway to start in 2009. The multi-million dollar Cold Lake Energy Centre, directly north of Tri-City Mall, was opened to the public for recreational services in August. 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 or soon to be opened 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 as Sobeys moved to a free-standing store earlier this year, with their lease set to expire in September 2008. They are continuing to pay rent, common area expense and realty taxes, as per the lease contract, to the end of September 2008. We are currently in discussions with several national retailers to replace Sobeys.

At the other end of the shopping centre, The Bargain! Shop has indicated to us that they will be moving into the Saan premises. The Bargain! Shop has purchased the assets of Saan in court approved proceedings. We look forward to the new opening of The Bargain! Shop in the coming months.

The Company is also looking at a possible pad-site expansion on the property. When we are able to re-lease the former Sobeys store, 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 has been performing well. There are currently no available vacancies on site. The Bargain! Shop has taken over the Saan lease and has also indicated an interest to open a new store on site. Furthermore, the Company has received interest from a national and regional tenant.

In this regard, we are currently exploring the possibility of a pad site development with a possible national tenant.

Three Hills, Alberta

Our Three Hills property continues to operate satisfactorily, since we renovated the building and moved The Bargain! Shop in, replacing the former Saan Store tenant.

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.

The lost rental income represents a 2.2% drop in monthly revenue for the Company.

The main challenge – and opportunity – for Gulf & Pacific in the coming months will be to successfully re-lease the former Sobeys store in St. Paul. When we accomplish this task, we will potentially add a lot of value to our portfolio of stable, "everyday basic needs" commercial centres.

We are focused on maintaining a strong relationship with our many quality tenants such as Guardian Drugs, Petro Canada, Reitmans, Rexall Drug Stores, Zellers, Sobeys and The Bargain! Shop. To view a complete list of our tenants please visit our new website at www.gpequities.com.

Concurrently, the Company intends to keep an eye on growth opportunities through the acquisition of new properties or through the intensification of existing properties.

Management recognizes that paramount to our growth strategy is to secure equity financing for acquisitions or construction loans for intensification. Given the current sub-prime 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 on securing a new financing package to cover the various loans and debentures due upon maturity and to provide funds for our growth strategy.

Since March 2008, when the Company announced a Normal Course Issuer Bid, the Company has not purchased back any shares, as trade 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.

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 five properties, my Executive Assistant Susan Barrowclough and my family for your on going help and support.

On behalf of the Board of Directors,

<u>(Signed) "Anthony Cohen"</u>
Anthony J. Cohen
President
August 27, 2008

Summary of Quarterly Financial Information

The quarterly financial results for fiscal years ended 2008, 2007 and 2006 are summarized as follows:

	Three Months Ended (Audited / Unaudited)			
	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007
Revenue	$ 1,252,472	$ 1,105,502	$ 1,140,880	$ 1,187,576
Net Income (Loss) for the Period	$ (87,062)	$ (23,252)	$ 50,186	$ (208,263)
Earnings (Loss) per common share - basic and diluted	$ (0.01)	$ -	$ 0.01	$ (0.03)

	Three Months Ended (Audited / Unaudited)			
	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006
Revenue	$ 1,109,935	$ 1,051,614	$ 581,551	$ 543,844
Net Income (Loss) for the Period	$ (205,078)	$ (22,672)	$ (176,308)	$ (166,530)
Earnings (Loss) per common share - basic and diluted	$ (0.02)	$ -	$ (0.02)	$ (0.02)