GULF & PACIFIC
EQUITIES CORP.

Dear Shareholders,

I am pleased to report Gulf & Pacific Equities Corp's (TSX-V: GUF) third quarter results for 2008.

Extraordinary Market Volatility

In the current historic extraordinary market volatility, where during the last quarter, the TSX index dropped from 14,467 on July 1, 2008 to 11,752 on September 30, 2008 representing a drop of 18.8%, the share price of Gulf & Pacific Equities Corp changed from $0.37 to $0.35 on low volumes.

We are pleased that the company's share price held steady during the quarter which we attributed to our loyal shareholders. At the writing of this report the TSX index closed at 8,645. As a result, the Company's share price is experiencing some downward market pressures attributed to the market volatility and not as the result of any significant changes in the business of the Company.

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 November 26, 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

<u>Balance Sheets</u>

On the balance sheet, total assets stood at $29,685,546 as of September 30, 2008, compared to $30,115,838 as of December 31, 2007. The decrease of $430,292 in total assets was primarily due to normal amortization of revenue producing properties, intangible assets, accounts receivable and cash, offset by increases in prepaid expenses and accrued rent receivables.

Our cash balance decreased by $162,766 during the nine months to $28,778 at September 30, 2008, down from $191,544 as of December 31, 2007. This decrease is due to normal payments for realty taxes booked in the third quarter. Intangible assets decreased by $109,592 due to amortization representing the normal accounting treatment for the associated cost. Prepaid expenses increased to $421,012 largely due to the prepaid mortgage at St. Paul, professional fees for leasing renewals and redevelopment strategy for the properties. Accounts receivable decreased from $376,792 to $160,207 due to collection of outstanding realty taxes and CAM. Accrued rent receivable increased to $316,324 from $226,270 reflecting additional rent expected with step rent leases.

With respect to liabilities, mortgages payable decreased to $22,877,460 as of September 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 $2,710,554 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. The Company anticipates that the two loans will be extended when due. 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 decreased to $711,276 from $766,594 due mainly to normal payments in property taxes, common area expenses and debenture interest.

Total liabilities decreased to $28,592,424 from $28,864,143 as of December 31, 2007, a decrease of $271,719. As noted above, this decrease is primarily due to the accounts payable, as well as a decrease in intangible liabilities, a non-cash item.

Shareholders' equity stood at $1,093,122 compared to $1,251,695 as of December 31, 2007. The decrease of $158,573 was due to the loss for the nine months, mostly from non-cash items.

Statements of Operations

For the three months ended September 30, 2008 revenue decreased to $1,164,456 from $1,187,576 for the same period last year, representing a nominal decrease of $23,120. Common area and realty tax recoveries were down by $43,907, due to outstanding realty taxes and common area recovery from tenants.

For the three month period ended September 30, 2008, expenses decreased to $1,245,115 from $1,395,839 for the same period last year, a decrease of $150,724. The main reasons for the decrease in expenses were lower administration, operating costs and realty taxes, and lower interest, offset by a small increase in amortization.

The loss for the three month period was $80,659 compared to $208,263 for the same period last year.

Statements of Cash Flows

On the statements of cash flows, the three months cash used from operations totaled $180,654 compared to $129,168 for the same period last year, representing an increased use of $51,486. The increase in cash used by operations is primarily a result of realty tax payments in the third quarter.

Financing activities for the three months used $154,096 in funds compared to $115,062 for the same period a year ago. The main change was the prepayment of mortgages of $60,000 and the repayment of mortgages payable of $126,496 compared to $115,062 for the same period last year.

For the three month period, funds invested in revenue producing properties were $54,519 compared to $28,482 during the same period last year. As at September 30, 2008 the Company had $28,778 in cash compared to $170,921 at the same time a year ago.

Liquidity

The Company had cash of $28,778 as of September 30, 2008. When the prepaid mortgage of $240,000 is normalized, cash would stand at $268,778. Management feels that it will have 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 September 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 September 30, 2008, the Company had issued and outstanding 8,852,303 common shares with a recorded value of $2,810,512.

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 nine months ended September 30, 2008, the Company charged a related party rent of approximately $18,000. 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 $9,000. 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 nine month period ended September 30, 2008, the Company was charged consulting fees of $90,325 by an officer. As at September 30, 2008 accounts payable and accrued liabilities included $38,730 payable to this officer.

During the nine months ended September 30, 2008, the Company incurred accounting fees of $87,826 with an accounting firm in which one of the Company's officers is a partner.

During the period, the Company was charged fees of $19,083 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

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 national tenants as our rental income is fixed, however smaller local retailers are starting to feel the effects of the economic downturn. As reported above, rental income remains stable for the quarter.

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.

We can confirm that Saan's lease at Valley Centre Mall has been taken over by The Bargain! Shop in a court approved proceeding. The Bargain! Shop has also expressed interest in opening at the St. Paul Shopping Centre. The activities for our properties are 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. The challenge for the pad site development relates to availability of long term funding in today's tight capital markets. Discussions are ongoing with several existing tenants for possible expansion.

The oil industry together 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. 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 in adjacent lots. Nearby residential development is completed and providing local traffic to our mall.

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 has moved. Discussions are on-going with several national retailers to replace Sobeys and Saan at each ends of the mall.

As noted above, The Bargain! Shop has indicated to us that they are interested in moving into the Saan premises. We look forward working with The Bargain! Shop in the coming months and with other national tenants. Again, financing for the redevelopment is the main challenge in today's volatile markets. We hope to have a leasing announcement with a major National in the near future.

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 moved onto the site. This property continues to perform at its maximum capacity.

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 inthe 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.

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

As noted above, the economic downturn and the market volatility are the challenges facing the Company in the coming months. The Company has no control on the economic downturn and the economic performances of our retail tenants, but the Company has strong tenant relationships and local management to work through this economic downturn.

However, the market volatility and the tightening of the capital markets will have dramatic impact on the bottomline of the Company in the months ahead. Specifically, the Company must secure a number of debt replacements in the next twelve months. Identifying replacement lenders for existing debts and new lenders for redevelopment will be the main focus of the Company during these difficult economic times. Even though the Company retains a strong cash flow, lowering of capital ratios by lending institutions and increasing interest spreads makes securing debt funding extremely difficult.

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 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 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 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.

The Company is 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.

Since March 2008, when the Company announced a Normal Course Issuer Bid, the Company has not purchased back any shares, 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 making equity financing a challenge in today's market.

We have been through tough times before, and if governments, lenders, businesses, and individuals all work together we can get through these very challenging times again, and face a brighter future for all.

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,

(Signed) "Anthony Cohen"
Anthony J. Cohen
President
November 26, 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)			
	Septempber 30, 2008	**39628 2008**	**39537 2008**	**39812 2007**
Revenue	$ 1164456	$ 1252472	$ 1105502	$ 1140880
Net Income (Loss) for the Period	$ 80659)	$ 87062)	$ 23252)	$ 50186
Earnings (Loss) per common share - basic and diluted	$ 0.01)	$ 0.01)	$ -	$ 0.01

	Three Months Ended (Audited / Unaudited)			
	Septempber 30, 2007	**39628 2007**	**39537 2007**	**39812 2006**
Revenue	$ 1187576	$ 1109935	$ 1051614	$ 581551
Net Income (Loss) for the Period	$ 208263)	$ 205078)	$ 22672)	$ 176308)
Earnings (Loss) per common share - basic and diluted	$ 0.03)	$ 0.02)	$ -	$ 0.02)