Financial Statements

Gulf & Pacific Equities Corp.

Three Months Ended March 31, 2008

Unaudited

INDEX

NOTICE TO READER

The accompanying unaudited interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these financial statements.

Gulf & Pacific Equities Corp.

Balance Sheets

	March 31, 2008 (unaudited)	December 31, 2007
Assets		
Revenue-producing properties	$ 28,426,664	$ 28,570,431
Cash	177,872	191,544
Intangible assets	638,907	675,438
Prepaid expenses	243,518	75,363
Accounts receivable	236,759	376,792
Accrued rent receivable	265,916	226,270
	$ 29,989,636	$ 30,115,838
Liabilities		
Mortgages payable	$ 23,088,938	$ 23,189,762
Convertible debentures (note 2)	2,567,321	2,495,704
Purchase price payable	658,776	658,776
Loans payable	1,000,000	1,000,000
Intangible liabilities	713,657	753,307
Accounts payable and accrued liabilities	732,501	766,594
	28,761,193	28,864,143
Shareholders' Equity		
Share Capital (note 3)	2,749,312	2,749,312
Paid-in Capital	420,000	420,000
Equity Component of Convertible Debentures	1,059,883	1,059,883
Contributed Surplus	418,609	418,609
Deficit	(3,419,361)	(3,396,109)
	1,228,443	1,251,695
	$ 29,989,636	$ 30,115,838

Approved on behalf of the Board

(Signed) "Anthony Cohen", Director

(Signed) "Greg K. W. Wong", Director

Gulf & Pacific Equities Corp.

Statements of Operations and Deficit
Three Months Ended March 31
Unaudited

	2008	2007
Revenue		
Rental	$ 851,251	$ 759,175
Common area and realty tax recoveries	252,443	289,959
Interest and other	1,808	2,480
	1,105,502	1,051,614
Expenses		
Interest	499,762	475,961
Operating costs and realty taxes	309,428	337,746
Amortization	140,647	139,659
Administration	178,917	120,920
	1,128,754	1,074,286
Net Loss for the period	(23,252)	(22,672)
Deficit - beginning of period	(3,396,109)	(2,995,768)
Deficit - end of period	$ (3,419,361)	$ (3,018,440)
Loss per Common Share - Basic and Diluted	$ -	$ -
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	8,672,303	8,243,732

Gulf & Pacific Equities Corp.

Cash Flow Statements
Three Months Ended March 31
Unaudited

	2008	2007
Cash Provided By (Used In):		
Operating Activities		
Net loss	$ (23,252)	$ (22,672)
Accrued rent receivable	(39,646)	(9,142)
Accretion of discount on convertible debentures	59,106	82,200
Amortization of deferred financing costs	29,945	40,961
Amortization of revenue-producing properties	143,767	148,571
Amortization of capital assets	-	420
Amortization of intangible assets	36,531	43,088
Amortization of intangible liabilities	(39,650)	(52,419)
	166,801	231,007
Changes in non-cash balances related to operations:		
Prepaid expenses	(48,155)	(422)
Accounts receivable	140,033	68,542
Accounts payable and accrued liabilities	(34,093)	(56,334)
	224,586	242,793
Financing Activities		
Repayment of mortgages payable	(118,258)	(97,446)
Prepayment of mortgages payable	(120,000)	-
Repayment of convertible debentures	-	(3,000)
	(238,258)	(100,446)
Investing Activity		
Additions to revenue-producing properties	-	(2,270)
Increase (Decrease) in Cash	(13,672)	140,077
Cash - beginning of period	191,544	121,740
Cash - end of period	$ 177,872	$ 261,817

Gulf & Pacific Equities Corp. (“the Company”) was incorporated as Gulf & Pacific Equities Corp. 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. The Company owns and operates commercial properties in Western Canada.

1. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) Revenue-producing properties and intangible assets/liabilities:

Revenue-producing properties are stated at cost. Amortization is provided over the estimated useful lives of the assets using the declining balance method at the following annual rates:

Asset	Rate
Building	2%
Paving	8%

Upon acquisition of revenue producing properties, the Company allocates the purchase price to the components of the revenue producing properties acquired: the amounts allocated to land and building are based on their estimated fair values; above- and below-market in-place operating leases are determined based on the present value of the difference between the rents payable under the contractual terms of the leases and estimated market rents; lease origination costs for in-place operating leases are determined based on the estimated costs that would be incurred to put the existing leases in place under the same terms and conditions; tenant relationships are measured based on the present value of the estimated avoided costs if a tenant were to renew its lease at expiry, discounted by the probability of such renewal. Above- and below-market in-place operating leases and lease origination costs are amortized on a straight-line basis over the remaining terms of the leases. The value associated with acquired tenant relationships is amortized on a straight-line basis over the expected term of the relationships.

b) Deferred financing and leasing costs:

In 2006, deferred financing costs represented the unamortized cost of the issue of the convertible debentures and mortgages. Amortization was provided on a straight-line basis, over the term of the related debt and was included in interest expense for the year.

Starting on January 1, 2007, financing fees incurred in connection with long-term debt financing are included with the related debt and are amortized using the effective interest rate basis. Leasing costs are deferred and amortized on a straight-line basis over the term of the related lease. Amortization is included in administration expense for the year.

1. Summary of Significant Accounting Policies (continued)

c) Capital assets:

Capital assets are stated at cost. Amortization is provided for over the estimated useful lives of the assets using the declining balance method and the following annual rates:

Asset	Rate
Furniture and fixtures	20%
Office equipment	30%

d) Long lived assets:

Long-lived assets, including revenue-producing properties, intangible assets and capital assets, are amortized over the useful lives. The Company reviews long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount might not be recoverable. If the sum of the undiscounted cash flows expected to result from the use and eventual disposition of a group of assets is less than its carrying amount, it is considered impaired. An impairment loss is measured as the amount by which the carrying amount of the group of assets exceeds its fair value.

e) 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 amortization of the debt discount net of actual interest paid. The accretion of the original debt discount is charged to interest expense over the term of the debt.

f) Stock-based compensation:

The Company has a stock-based compensation plan. The Company accounts for all stock-based payments to employees and non-employees using the fair value based method.

Under the fair value based method, stock-based payments are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The Company uses a Black-Scholes option pricing model to determine fair value. The cost of stock-based payments that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. Any consideration paid by the directors and officers on exercise of stock options and a proportionate share of contributed surplus is credited to capital stock.

g) Issue costs:

The Company accounts for costs related to issuing equity as a charge against retained earnings (deficit) in the period incurred.

1. Summary of Significant Accounting Policies (continued)

h) Revenue recognition:

The Company uses the straight-line method of recognizing rental revenue whereby the total amount of rental revenue to be 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.

The Company has retained substantially all of the risks and benefits of ownership of its rental properties and therefore accounts for leases with its tenants as operating leases.

Common area and realty tax recoveries are taken into income monthly based on estimated recoveries for the year and reconciled to actual on an annual basis. Interest and other income is recognized on an accrual basis.

i) Income taxes:

The Company accounts for income taxes using the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are determined based on temporary differences (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the enacted tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the Company's provision for current income taxes and the difference between the beginning and ending balances of the future income tax assets and liabilities.

j) Statement of cash flows:

The Company has adopted the indirect method of reporting cash flows, under which the net cash flow from operations is reported by adjusting net earnings for the effects of non-cash items and net changes in non-cash balances related to operations.

k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. The significant areas of estimation include impairment of assets, useful lives of assets to calculate amortization and fair values of financial instruments.

l) Interim financial statements:

The accompanying unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles on a basis consistent with those followed in the most recent audited financial statements. These interim financial statements have not been reviewed by the Company’s auditors.

1. Summary of Significant Accounting Policies (continued)

The notes presented in these unaudited interim financial statements include only significant events and transactions and are not fully inclusive of all matters required by Canadian generally accepted accounting principles for annual audited financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with the audited financial statements and accompanying notes for the years ended December 31, 2007 and 2006.

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current period.

2. Convertible Debentures

	March 31, 2008		December 31, 2007	
	Face Value	Carrying amount	Face value	Carrying amount
8% debentures	$ 2,960,000	$ 2,648,969	$ 2,960,000	$ 2,589,863
Unamortized deferred financing costs	-	(81,648)	-	(94,159)
	$ 2,960,000	$ 2,567,321	$ 2,960,000	$ 2,495,704

The face value of the convertible debentures consists of the following:

(i) $900,000 of the convertible debentures bear interest at 8%, matured September 1, 2007, which was extended to September 1, 2008, and can be converted by the holder into common shares of the Company at one common share for each $0.40 principal amount of debentures.

(ii) $2,060,000 of the convertible debentures bear interest at 8%, mature November 18, 2009 and are unsecured. The debentures can be converted by the holder into common shares of the Company at the following rates: one common share for each $0.315 principal amount of debentures converted during the first two years from the closing date; one common share for each $0.350 principal amount of debentures converted during the third year from the closing date; $0.385 principal amount of debentures converted during the fourth year from the closing date; and $0.425 principal amount of debentures converted during the fifth year from the closing date. The Company has the option to redeem the debentures at any time prior to maturity for the aggregate of the face value of the debentures plus earned interest. The Company has the right to force early conversion of the debentures in the event that the common shares of Corporation trade for a period of five consecutive days (a "Trading Period") at a price equal to or above the following prices and the cumulative trading volume of the common shares of the Company during this Trading Period represents not less than 5% of Corporation's issued and outstanding common shares: $0.60 per common share at any time during the two year period from the closing date; and $1.00 per common share at any time during the third, fourth and fifth years from closing date.

2. Convertible Debentures (continued)

These convertible debentures were issued on November 18, 2004 in connection with a private placement. The Company issued 2,300 units at $1,000 per unit. Each unit consisted of an unsecured convertible debenture in the amount of $1,000 and 1,500 common share purchase warrants.

3. Share Capital

a) Authorized and issued:

Authorized without limit as to number -

Preference shares
Common shares

Issued and fully paid:

Common shares	Number	Amount
Balance - December 31, 2007	8,672,303	$ 2,749,312
Issued for: conversion of debentures (i)	-	-
Balance - March 31, 2008	8,672,303	$ 2,749,312

b) Stock-based compensation:

The Stock Option Plan reserves a maximum of 10% of the issued and outstanding shares of the Company (determined at the time of the stock option grant) for issuance upon the exercise of stock options granted pursuant to the Stock Option Plan. Stock options granted have a term that does not exceed 5 years and the exercise prices and vesting provisions are determined by the board of directors.

At March 31, 2008, 824,000 options which had been granted to certain directors, officers, employees and consultants to purchase common shares of the Company subject to various requirements were outstanding as follows:

Outstanding	Exercisable	Year of grant	Exercise price per option	Expiry date
180,000	180,000	2003	$ 0.180	August 26, 2008
150,000	150,000	2005	$ 0.305	June 1, 2010
130,000	130,000	2006	$ 0.305	June 9, 2011
364,000	364,000	2007	$ 0.300	April 26, 2012
824,000	824,000			

4. Related Party Transactions:

During the period, the Company charged a related party rent totalling approximately $9,000. The companies are related by virtue of the fact that they have the same President.

During the period, the Company charged a related party rent totaling approximately $3,000. The companies are related by virtue of the fact that they have the same President.

During the period, the Company was charged consulting fees of $16,500 by an officer.

During the period, the Company incurred accounting fees of $42,526 with an accounting firm in which one of the Company's officers is a partner.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.