Financial Statements

Gulf & Pacific Equities Corp.

Six Months Ended June 30, 2009

Unaudited

INDEX

NOTICE TO READER

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

Gulf & Pacific Equities Corp.

Balance Sheets

	June 30, 2009 (unaudited)	December 31, 2008
Assets		
Revenue-producing properties	$ 27,875,639	$ 28,161,437
Cash	68,119	10,262
Intangible assets	458,871	529,316
Prepaid expenses	387,013	387,815
Accounts receivable	89,014	42,477
Accrued rent receivable	300,467	279,555
	$ 29,179,123	$ 29,410,862
Liabilities		
Mortgages payable (note 4)	$ 22,815,679	$ 22,776,695
Convertible debentures (note 5)	2,605,543	2,470,521
Purchase price payable	658,776	658,776
Loans payable	1,000,000	1,000,000
Intangible liabilities	522,855	594,708
Accounts payable and accrued liabilities	848,269	793,169
	28,451,122	28,293,869
Shareholders' Equity		
Share Capital (note 6)	2,816,462	2,816,462
Equity Component of Convertible Debentures	974,343	974,343
Contributed Surplus	1,376,233	1,337,809
Deficit	(4,439,037)	(4,011,621)
	728,001	1,116,993
	$ 29,179,123	$ 29,410,862

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
Six Months Ended June 30
Unaudited

	Six Months Ended		Three Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Revenue				
Rental	$ 1,394,391	$ 1,666,354	$ 714,912	$ 815,103
Common area and realty tax recoveries	537,996	688,695	303,232	436,252
Interest and other	166	2,925	78	1,117
	1,932,553	2,357,974	1,018,222	1,252,472
Expenses				
Interest	947,045	997,861	469,475	498,099
Operating costs and realty taxes	747,826	802,665	412,950	493,237
Amortization	284,964	281,294	143,732	140,647
Administration	341,710	386,468	177,812	207,551
Stock-based compensation	38,424	-	-	-
	2,359,969	2,468,288	1,203,969	1,339,534
Net Loss for the Period	(427,416)	(110,314)	(185,747)	(87,062)
Deficit - Beginning of Period	(4,011,621)	(3,396,109)	(4,253,290)	(3,419,361)
Deficit - End of Period	$(4,439,037)	$(3,506,423)	$(4,439,037)	$(3,506,423)
Loss per Common Share - Basic and Diluted	$ (0.05)	$ (0.01)	$ (0.02)	$ (0.01)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	8,861,678	8,672,303	8,861,678	8,672,303

The accompanying notes form an integral part of these financial statements

Gulf & Pacific Equities Corp.

Cash Flow Statements
Six Months Ended June 30
Unaudited

	Six Months Ended		Three Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Cash Provided By (Used In):				
Operating Activities				
Net loss	$ (427,416)	$ (110,314)	$ (185,747)	$ (87,062)
Accrued rent receivable	(20,912)	(66,275)	(10,726)	(26,629)
Accretion of discount on convertible debentures	135,022	118,212	67,511	59,106
Amortization of deferred financing costs	30,439	59,890	15,220	29,945
Amortization of revenue-producing properties	285,798	287,533	143,861	143,766
Amortization of capital assets	574	-	574	-
Amortization of intangible assets	70,445	73,061	35,222	36,530
Amortization of intangible liabilities	(71,853)	(79,299)	(35,926)	(39,649)
Stock-based compensation	38,424	-	-	-
	40,521	282,808	29,989	116,007
Changes in non-cash balances related to operations:				
Prepaid expenses	802	(82,930)	(16,866)	(34,775)
Accounts receivable	(46,537)	242,441	(54,012)	102,408
Accounts payable and accrued liabilities	55,100	202,292	147,069	236,385
	49,886	644,611	106,180	420,025
Financing Activities				
Repayment of mortgages payable	(287,016)	(238,108)	(146,085)	(119,850)
Refinancing of mortgages payable	358,774	-	-	-
Prepayment of mortgage payable	-	(180,000)	-	(60,000)
Deferred financing costs	(63,213)	-	-	-
	8,545	(418,108)	(146,085)	(179,850)
Investing Activities				
Additions to capital assets	(574)	-	(574)	-
Increase (Decrease) in Cash	57,857	226,503	(40,479)	240,175
Cash - beginning of period	10,262	191,544	108,598	177,872
Cash - end of period	$ 68,119	$ 418,047	$ 68,119	$ 418,047

The accompanying notes form an integral part of these financial statements

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:

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) Impairment of long lived assets

Long-lived assets include revenue-producing properties and intangible assets. 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.

d) Financial instruments

All financial instruments are classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in the statement of operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses, included in the statement of comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

Cash	Held for trading
Accounts receivable	Loans and receivables
Accrued rent receivable	Loans and receivables
Mortgages payable	Other liabilities
Convertible debentures	Other liabilities
Purchase price payable	Other liabilities
Loans payable	Other liabilities
Accounts payable and accrued liabilities	Other liabilities

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.

1. Summary of Significant Accounting Policies (continued)

e) 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.

f) Issue costs

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

g) Revenue recognition

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.

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.

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.

h) 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 tax loss carryforwards, 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.

1. Summary of Significant Accounting Policies (continued)

i) 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.

j) 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, measurement of stock-based compensation, bifurcation of convertible debentures and fair values of financial instruments.

k) Loss per share

Loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated on the weighted average number of common shares outstanding increased to include potentially issuable common shares from the assumed exercise of common share purchase options, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options. As the Company had a loss in each of the two years presented, basic and diluted loss per share are the same, as the exercise of all options would be anti-dilutive.

2. New Accounting Changes

Goodwill and Intangible Assets

The CICA issued a new accounting standard, Handbook Section 3064 - Goodwill and Intangible Assets, and made amendments to Handbook Section 1000 - Financial Statement Concepts. Section 3064 will replace Handbook Section 3062 - Goodwill and Other Intangible Assets and Handbook Section 3450 - Research and Development Costs. The objectives of these amendments and new section are to reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition.

Costs that do not meet the definition and recognition criteria for assets must be expensed as incurred. Certain costs that meet the definition of an asset will be capitalized. This new standard and corresponding amendments is effective for the Company as of January 1, 2009 and will be applied retroactively with restatement of the comparative period. The Company believes there is no material impact of the adoption of this standard and amendments on its financial statements.

3. Future Accounting Pronouncements

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board ("ASB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies are required to converge with International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with comparative figures presented on the same basis. In February 2008, the CICA ASB confirmed that January 1, 2011 would be the effective date of the initial adoption of IFRS. The Company is required to have an IFRS transition plan in place and begin implementation before the end of 2009 to ensure the opening balance sheet is translated to IFRS and dual accounting systems can record transactions over 2010 on both a Canadian GAAP and IFRS basis. The impact of the transition to IFRS on the Company's financial statements has not yet been determined.

4. Mortgages Payable

a) On January 15, 2009, the Company completed a $1.0 million, three year financing on it's Tri-City Mall in Cold Lake Alberta. Interest of 6.3% per annum is payable monthly and includes principle and interest. The financing was secured by a second mortgage on the Company's property.

   The funds were used to repay the $1.0 million loan with interest of 15% per annum, from the original purchase of Tri-City Mall.

b) On January 15, 2009 the vendor provided mortgage relating to the original purchase of the Tri-City Mall in 2006 in the amount of $1.5 million was extended by one year to December 31, 2009 at the same interest rate of 8.5% per annum. Monthly payments of interest only will remain the same.

c) On January 20, 2009 the Company remortgaged one of its properties with a five year fixed rate mortgage of $536,250 at 8.4%, payable monthly, including principle and interest. The financing is secured by a first mortgage on the Company's property.

5. Convertible Debentures

	June 30, 2009		December 31, 2008	
	Face Value	**Carrying amount**	**Face value**	**Carrying amount**
8% debentures	$ 2,956,250	$ 2,624,635	$ 2,956,250	$ 2,514,634
Unamortized deferred financing costs	-	(19,092)	-	(44,114)
	$ 2,956,250	$ 2,605,543	$ 2,956,250	$ 2,470,521

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

(i) $896,250 of the convertible debentures bear interest at 8%, mature September 1, 2013 and are unsecured. On August 29, 2008, the holders of the convertible debentures which were due on September 1, 2008, agreed to a five year extension of the debentures with the new due date being September 1, 2013. These debentures can be converted by the holder into common shares of the Company at one common share for each $0.40 principal amount of debentures. Management has determined that the extension of the existing convertible debenture resulted in substance in the extinguishment and refinancing of debt in accordance with the Emerging Issues Committee Abstract - EIC 88 "Debtor's Accounting for a Modification or Exchange of Debt Instruments".

As a result, the fair value of the debt component of the new debenture was determined to be $611,205 based on an effective interest rate of 18%, and the fair value of the equity component was determined to be $444,660. The difference of $155,865, between the fair value of the convertible debentures of $1,055,865 and the carrying value of the original convertible debentures of $900,000, was expensed as a non-recurrent loss on extinguishment of debt.

Consequently, the original allocation of $528,000 to the equity component was transferred to contributed surplus.

(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 one common share for each $0.315 principal amount of debentures. 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 price 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. 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.

6. 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, 2008	8,861,678	$ 2,816,462
Balance - June 30, 2009	8,861,678	$ 2,816,462

On March 9, 2009, the Company extended it's normal course issuer bid to March 9, 2010.

b) Stock-based compensation

At June 30, 2009, 884,000 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**
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
240,000	240,000	2009	$ 0.250	February 20, 2014
884,000	884,000			

On February 20, 2009, the Company granted 240,000 fully vested stock options to directors and officers. Each option entitles the holder to purchase one share of the Company's common stock at a price of $0.25 per share until February 20, 2014. The estimated fair value of $38,424 has been recorded as stock-based compensation. The following assumptions were used in the Black-Scholes pricing model:

Expected dividend paid	Nil
Risk-free interest rate`	2.11%
Expected life	5.0 years
Expected volatility	79%

6. Share Capital (continued)

b) Stock-based compensation (continued)

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

7. Financial Instruments and Risk Management

a) Interest rate risk

Interest rate cash flow risk is minimized through the Company's current strategy of having the mortgages payable in fixed rate arrangements, however is subject to price risk

b) Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfil their lease commitments. The Company mitigates this risk of credit loss by diversifying its tenant mix and by limiting its exposure to any one tenant.

c) Fair values

Fair value estimates are made at a specific point in time, based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates.

The carrying value of the Company's mortgages, convertible debentures, and loans payable approximates fair value as the interest rates are similar to rates obtainable for similar financial instruments in the current marketplace.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 12. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business.

As at June 30, 2009, the Company's financial liabilities include accounts payable and accrued liabilities, with contractual maturities of less than one year, convertible debentures (note 5), loans payable, purchase price payable and mortgages payable (note 4).

8. Capital Management

The Company's objectives when managing capital are:

a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders, and

b) to provide adequate return to shareholders by obtaining an appropriate amount of debt commensurate with the level of risk, to reduce after-tax cost of capital.

The Company sets the amount of capital in proportion to risk. The Company includes equity in its definition of capital. Equity is comprised of capital stock, equity component of convertible debentures, contributed surplus and deficit. The Company manages capital structure and makes adjustments in light of changes in economic conditions and the risk characteristic of underlying assets. In order to maintain or adjust capital structure, the Company may repurchase shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements.

9. Related Party Transactions

During the six months ended June 30, 2009, the Company:

a) Charged related parties rent totalling approximately $18,000. The companies are related by virtue of the fact that they have the same President.

b) Was charged consulting fees of $40,800 by an officer.

c) Incurred accounting fees of $37,380 with an accounting firm in which one of the Corporation'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.

10. Terms of Financing

Under the terms of a mortgage on one of the Company's properties, a payment amounting to $240,000 has been made as of June 30, 2009. This payment was made at the rate of $20,000 per month commencing one year prior to the lease renewal date of an anchor tenant, and is payable to a maximum of 12 months. This amount is repayable to the Company when the space is leased to a new anchor tenant, subject to the terms of the agreement. Accordingly, this payment has been included in prepaid expenses.