

ROYAL HOST[®]

H O T E L S & R E S O R T S ^{REIT}

FOR IMMEDIATE RELEASE

SYMBOL: "RYL.UN"

ROYAL HOST REIT RELEASES THIRD QUARTER RESULTS AND ANNOUNCES DISTRIBUTION OF \$0.025 TO UNITHOLDERS

Calgary, Alberta, November 13, 2009 - Royal Host Real Estate Investment Trust ("Royal Host" or the "Trust") today announced results for the three and nine months ended September 30, 2009.

Hospitality revenue for the third quarter declined 8%, compared to 2008, to \$25.2 million, primarily as a result of lower occupancy; hospitality gross margin declined 7% to \$7.3 million. The Trust generated a loss from continuing operations of \$2.2 million (2008 – income of \$1.2 million), or \$(0.11) (2008 - \$0.06) per unit, and Distributable Income for the third quarter of 2009 declined to \$3.2 million (2008 - \$5.7 million) or \$0.16 (2008 - \$0.26) per unit.

During the third quarter of 2009, lower demand and room rate cuts compared to 2008 continued, providing a difficult operating environment for the Canadian lodging industry and Royal Host. Royal Host maintained its focus on revenue generation, cost and liquidity management. During the quarter Royal Host embarked on a number of initiatives aimed at refining existing financial reporting processes, refocusing management efforts and enhancing operating margins. As such, Royal Host entered into a third party management agreement for management of the Trust's limited service properties, which will allow Royal Host's Executive and Operational leaders to focus on hotel operating results with day to day responsibilities being handled by our manager.

The economic challenges that the hotel sector has weathered since the fall of last year have provided incentive to optimize costs, revisit processes and rethink ways of doing business. The REIT continues to analyze current and potential property repositioning opportunity with an eye toward enhancing our competitiveness in key markets. The long term impact of these challenging times should be a more efficient operating platform.

The following table provides information on occupancy, ADR and RevPAR for the Trust's thirty-one owned hotels. These measures are commonly used within the hospitality industry as key indicators of operating performance. Occupancy measures the level of hotel room utilization and is calculated by dividing the number of rooms rented in a given period by the number of rooms available in the same period. Average Daily Rate (ADR), measures the average room price for all guest rooms and is calculated by dividing total room revenue by the number of rooms rented in a given period. Revenue per Available Room (RevPAR) combines both pricing level and occupancy and is calculated by dividing the number of rooms available in a given period into the room revenue in the same period.

	Three months ended September 30, 2009		Nine months ended September 30, 2008	
	2009	2008	2009	2008
Occupancy	59.4%	65.4%	54.7%	61.4%
ADR	\$98.52	\$99.70	\$99.50	\$98.63
RevPAR	\$58.54	\$65.19	\$54.47	\$58.56

SELECTED FINANCIAL INFORMATION

Highlights of the interim consolidated financial statements for the three and nine months ended September 30, 2009 compared to the three and nine months ended September 30, 2008 are as follows:

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Hospitality Revenue (Continuing Operations)	25.2	27.4	70.8	79.2
Hospitality Expenses	17.9	19.5	54.6	58.1
Hospitality Gross Margin ⁽¹⁾	7.3	7.9	16.2	21.1
Hospitality Gross Margin % ⁽¹⁾	29.0%	28.8%	22.9%	26.6%
Investment Income (Loss)	(2.3)	3.1	4.0	7.4
Other Expenses	7.2	9.8	22.7	24.3
Income (Loss) From Continuing Operations	(2.2)	1.2	(2.5)	4.2
Income (Loss) From Discontinued Operations	0.1	75.1	—	102.3
Net Income (Loss)	(2.1)	76.3	(2.5)	106.5
Basic Per Unit Net (Loss) Income (\$)				
From Continuing Operations	(0.11)	0.06	(0.13)	0.18
From Discontinued Operations	0.01	3.48	—	4.38
	(0.10)	3.54	(0.13)	4.56
Distributable Income ⁽¹⁾	3.2	5.7	5.8	15.0
Distributions Declared on Trust Units	2.1	3.6	10.7	11.2
Basic Per Unit Distributable Income (\$) ⁽¹⁾	0.16	0.26	0.29	0.64
Per Unit Distributions Declared (\$)	0.105	0.165	0.535	0.495
Weighted Average Number of Trust Units Outstanding (000's)	19,707	21,579	19,859	23,355
Number of Trust Units Outstanding, as at September 30 (000's)	19,618	21,477	19,618	21,477
Closing Trust Unit Trading Price, as at September 30 (\$)	2.17	6.15	2.17	6.15

⁽¹⁾ Items represent non-GAAP financial measures.

Royal Host has declared a distribution of \$0.025 per unit, payable December 15, 2009, to unitholders of record on November 30, 2009.

Royal Host is a uniquely diversified hospitality trust that delivers Unitholder value through hotel ownership, investment, management and franchising. Royal Host's portfolio of Canadian hotels operates under a variety of recognizable brands as well as a number of unbranded properties.

The Trust's hotel portfolio is further enhanced by a stable franchising business, a successful hotel management operation, and a sizable portfolio of publicly-traded securities from within the hospitality and service sectors.

Royal Host trust units and convertible debentures are traded on the Toronto Stock Exchange under the trading symbols "RYL.UN", "RYL.DB.B", "RYL.DB.C" and "RYL.DB.D", respectively. The above statements in regard to the financial results should be read in conjunction with Royal Host's unaudited consolidated financial statements for the three and nine months ended September 30, 2009 and its management's discussion and analysis, which are available on Royal Host's website at www.royalhost.com as well as the SEDAR website at www.sedar.com.

This press release contains certain forward-looking statements relating, but not limited to, Royal Host's operations, anticipated financial performance, business prospects, and strategies. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", or similar words suggesting future outcomes. Such forward-looking statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed, projected, or implied by such forward-looking statements. Such factors include, but are not limited to economic, competitive, and lodging industry conditions. Royal Host disclaims any responsibility to update any such forward-looking statements except as required by law.

This press release includes certain non-GAAP measures (measures that are not calculated or presented in accordance with GAAP). Because these measures are not defined under GAAP, Royal Host's method of calculation may not be comparable to similar measures presented by other entities. These measures should not be used as an alternative to net earnings or cash flows from operations determined in accordance with GAAP when assessing Royal Host's financial performance. However, the Trust believes these measures are useful in supplementing the reader's understanding of the Trust's performance.

This press release includes the following non-GAAP measures: Revenue per Available Room ("RevPAR"), Average Daily Rate ("ADR"), Occupancy, Hospitality Gross Margin and Distributable Income (and Basic and Diluted per Unit Distributable Income).

Management and the Board of Trustees use these measurements, among other purposes, to assess each property's market position among its competitive set and to assess Management's effectiveness in optimizing each property's transitory room inventory.

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2009 Q3

MANAGEMENT'S
DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009

Management's Discussion & Analysis ("MD&A") presents management's view of the financial position and performance of Royal Host Real Estate Investment Trust ("Royal Host" or "the Trust") for the three and nine months ended September 30, 2009 compared with the three and nine months ended September 30, 2008. This interim MD&A should be read in conjunction with the information disclosed within the unaudited, interim consolidated financial statements and notes thereto for the three and nine months ended September 30, 2009. This interim MD&A is prepared as at November 13, 2009 (unless otherwise stated). All dollar amounts are shown in millions of Canadian dollars unless otherwise indicated. Additional information relating to the Company, including risk factors as described on pages 35 to 44 of the Trust's Annual Information Form ("AIF") dated as of March 31, 2009 is hereby incorporated by reference into this interim MD&A, and can be obtained from SEDAR at www.sedar.com.

Non-GAAP Measures

This interim MD&A includes certain non-GAAP measures (measures that are not calculated or presented in accordance with GAAP). Because these measures are not defined under GAAP, Royal Host's method of calculation may not be comparable to similar measures presented by other entities. These measures should not be used as an alternative to net earnings or cash flows from operations determined in accordance with GAAP when assessing Royal Host's financial performance. However, the Trust believes these measures are useful in supplementing the reader's understanding of the Trust's performance.

This interim MD&A includes the following non-GAAP measures: Revenue per Available Room ("RevPAR"), Average Daily Rate ("ADR"), Occupancy, Hospitality Gross Margin, Cash Flows Provided by Continuing, Discontinued and Total Operations, Distributable Income (and Basic and Diluted per Unit Distributable Income), Funds from Operations and Adjusted Funds from Operations.

Management and the Board of Trustees use these measurements, among other purposes, to assess each property's market position among its competitive set and to assess Management's effectiveness in optimizing each property's transitory room inventory.

Cautionary Statement Regarding Forward-looking Information and Statements

This interim MD&A sets out Management's assessment of the Trust's future plans and operations and contains forward-looking statements as defined under applicable Canadian securities legislation. These forward-looking statements typically contain the words "anticipate", "believe", "estimate", "expect", "may", "will", "should", "plan" or other similar terms and contain estimates or assumptions about the outcome of future events. These forward-looking statements are provided in the interest of providing readers with information regarding the Trust. Readers are cautioned that Management's expectations, estimates and assumptions, although considered reasonable, may prove to be incorrect and readers should not place undue reliance on forward-looking statements. Forward-looking statements are subject to risks, uncertainties, and other factors that could result in the outcome of these events being materially different from those anticipated in this interim MD&A. These factors include, but are not limited to: general economic conditions, levels of travel in Royal Host's key market areas, political conditions and events, competitive pressures, changes in government policy or regulations and other risk factors including risks and uncertainties described above. The Trust's actual results could differ materially from those expressed in, or implied by, these forward-looking statements. The forward-looking information contained in this interim MD&A is expressly qualified by this cautionary statement. Royal Host does not undertake to update forward-looking statements should its estimates or assumptions change, except as required by law. Additional information relating to Royal Host and the risks to which its business is subject is contained in its Annual Information Form, which is available at www.sedar.com.

OVERVIEW

During the third quarter of 2009, lower demand and room rate cuts compared to 2008 continued, providing a difficult operating environment for the Canadian lodging industry and Royal Host. Royal Host maintained its focus on revenue generation, cost and liquidity management.

In the quarter, Royal Host:

- Generated overall Occupancy of 59.4% (2008 – 65.4%), Average Daily Rate of \$98.52 (2008 - \$99.70) and Revenue per Available Room of \$58.54 (2008 - \$65.19).
- Generated \$7.3 million of hospitality gross margin (2008 - \$7.9 million) from \$25.2 million of hospitality revenue (2008 - \$27.4 million);
- Produced total comprehensive income of \$4.1 million including \$0.1 million from discontinued operations (2008 - \$60.7 million including \$75.1 million from discontinued operations);
- Realized a net loss of \$2.1 million (2008 - \$76.3 million income), or \$0.10 loss per unit (2008 - \$3.54 income per unit);
- On August 11, 2009, the Trust reduced its level of monthly distributions from \$0.055 per unit to \$0.025 per unit.

SELECTED FINANCIAL INFORMATION

Highlights of the interim consolidated financial statements for the three and nine months ended September 30, 2009 compared to the three and nine months ended September 30, 2008 are as follows:

(Millions)	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Hospitality Revenue (Continuing Operations)	25.2	27.4	70.8	79.2
Hospitality Expenses	17.9	19.5	54.6	58.1
Hospitality Gross Margin ⁽¹⁾	7.3	7.9	16.2	21.1
Hospitality Gross Margin % ⁽¹⁾	29.0%	28.8%	22.9%	26.6%
Investment Income (Loss)	(2.3)	3.1	4.0	7.4
Other Expenses	7.2	9.8	22.7	24.3
Income (Loss) From Continuing Operations	(2.2)	1.2	(2.5)	4.2
Income From Discontinued Operations ⁽²⁾	0.1	75.1	—	102.3
Net Income (Loss)	(2.1)	76.3	(2.5)	106.5
Basic Per Unit Net Income (Loss) (\$)				
From Continuing Operations	(0.11)	0.06	(0.13)	0.18
From Discontinued Operations	0.01	3.48	—	4.38
	(0.10)	3.54	(0.13)	4.56
Distributable Income ⁽¹⁾	3.2	5.7	5.8	15.0
Distributions Declared on Trust Units	2.1	3.6	10.7	11.2
Basic Per Unit Distributable Income (\$) ⁽¹⁾	0.16	0.26	0.29	0.64
Per Unit Distributions Declared (\$)	0.105	0.165	0.535	0.495
Weighted Average Number of Trust Units Outstanding (000's)	19,707	21,579	19,859	23,355
Number of Trust Units Outstanding, as at September 30 (000's)	19,618	21,477	19,618	21,477
Closing Trust Unit Trading Price, as at September 30 (\$)	2.17	6.15	2.17	6.15

As at November 13, 2009, Royal Host had 19,515,175 trust units outstanding.

⁽¹⁾ Items represent non-GAAP financial measures.

⁽²⁾ Discontinued operations are comprised of the Grand Okanagan Lakefront Resort and Conference Centre, the Holiday Inn Edmonton - The Palace, the El Rancho Motor Hotel & Convention Centre, the Travelodge Hotel Burlington on the Lake, the Thriftlodge Fort Nelson and the Sundial Inn, as described below in "Discontinued Operations"

Hospitality Revenue

Hospitality revenue decreased by \$2.2 million from \$27.4 million in the prior year to \$25.2 million in the three months ended September 30, 2009 primarily due to lower Occupancy levels. Food and beverage revenue derived from restaurants and lounges, banquets and room service, decreased \$0.5 million, or 15%, to \$2.9 million (2008 - \$3.4 million). The decrease is due to an overall decline in Occupancy, fewer banquets than in 2008 and the effects of more price conscious consumers. Franchising and management revenue increased \$0.2 million to \$0.9 million from \$0.7 million in 2008.

Hospitality revenue decreased by \$8.4 million to \$70.8 million from \$79.2 million in the nine months ended September 30, 2009. Food and beverage revenue derived from restaurants and lounges, banquets and room service, decreased \$1.9 million, or 16%, to \$10.1 million (2008 - \$12.0 million). The decrease is due to the same underlying factors as affected the third quarter results. Franchising and management revenue increased \$0.1 million to \$1.6 million from \$1.5 million in 2008.

Hospitality Expenses

Hospitality expenses decreased by \$1.6 million to \$17.9 million for the three months ended September 30, 2009 (2008 - \$19.5 million) and by \$3.5 million to \$54.6 million for the nine months ended September 30, 2009 (2008 - \$58.1 million) as management continued their efforts to manage costs in the current operating environment, while not impacting guest service levels.

Investment Income

Total investment income fell in the third quarter of 2009 to a loss of \$2.3 million from income of \$3.1 million in the third quarter of 2008. The loss is mainly due to a non-cash other-than-temporary impairment charge of \$4.0 million that was recognized in the quarter on investments in certain trust units. Distribution and interest income declined \$1.2 million to \$1.7 million from \$2.9 million in the third quarter of 2008 as certain investments cut their distributions late in 2008 and in the first half of 2009. Similarly, year to date investment income results are hampered by the non-cash other-than-temporary impairment charge resulting in a decline of \$3.4 million to \$4.0 million compared to \$7.4 million for the nine months ended September 30, 2008.

Other Expenses

Other Expenses totaled \$7.2 million in the quarter, down \$2.6 million from \$9.8 million in 2008. The drop was due to the recognition of a gain of \$0.9 million on the repurchase of Royal Host convertible debentures in the quarter, a future income tax recovery of \$0.2 million versus an expense of \$0.8 million in the comparative period and a drop in trust administration costs due to reduced consultant's fees.

For the year to date, other expenses declined \$1.6 million to \$22.7 million from \$24.3 million mainly for the reasons discussed above. This reduction in expenses was offset by a lower future income tax recovery than in 2008.

Other Comprehensive Income

The Trust recognized other comprehensive income for the three and nine months ended September 30, 2009 of \$6.2 million and \$6.1 million respectively (2008 - \$15.7 million and \$16.9 million loss), attributable to net unrealized gains on marketable securities classified as available-for-sale of \$2.2 million combined with \$4.0 million in losses transferred to realized losses from other comprehensive income in the third quarter of 2009. The net unrealized gains were mainly as a result of other-than-temporary impairment charges taken on those securities in the fourth quarter of 2008.

Summary of Quarterly Financial Results

	2009				2008			2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	25.2	24.0	21.7	25.3	27.4	27.6	24.2	26.6
Income (Loss)								
From Continuing Operations	(2.2)	1.1	(1.5)	(86.3)	1.2	2.9	—	(0.9)
From Discontinued Operations	0.1	(0.1)	(0.1)	0.2	75.1	15.1	12.1	0.6
	(2.1)	1.0	(1.6)	(86.1)	76.3	18.0	12.1	(0.3)
Per Unit Results (\$)								
Income (Loss) from Continuing Operations								
Basic	(0.11)	0.06	(0.07)	(4.13)	0.06	0.14	—	(0.03)
Diluted	(0.11)	0.06	(0.07)	(4.13)	0.06	0.13	—	(0.03)
Income (Loss) from Total Operations								
Basic	(0.10)	0.06	(0.07)	(4.12)	3.54	0.84	0.44	(0.01)
Diluted	(0.10)	0.06	(0.07)	(4.12)	3.54	0.84	0.44	(0.01)

Note: the sum of quarterly per unit figures may not equal annual per unit figures

Royal Host is a diversified hospitality trust that delivers Unitholder value through hotel ownership, investment, management and franchising. Royal Host's portfolio of Canadian hotels operate under a variety of recognizable brands as set forth in the table below, as well as a number of unbranded properties. The Trust's hotel portfolio is further enhanced by a stable franchising business and a portfolio of publicly-traded securities from within the hospitality and service sectors.

	ONTARIO			ATLANTIC			WESTERN			TOTAL		
	# of Hotels	# of Rooms	% of Guest Rooms	# of Hotels	# of Rooms	% of Guest Rooms	# of Hotels	# of Rooms	% of Guest Rooms	# of Hotels	# of Rooms	% of Guest Rooms
Travelodge® Thriftlodge®	9	1,215	33.1	-	-	-	4	404	11.0	13	1,619	44.1
Country Inns & Suites®	-	-	-	4	280	7.6	3	231	6.3	7	511	13.9
Independent	1	256	7.0	-	-	-	1	130	3.5	2	386	10.5
Hilton®	1	323	8.8	-	-	-	-	-	-	1	323	8.8
Super 8®	2	159	4.3	-	-	-	2	134	3.7	4	293	8.0
Holiday Inn®	2	254	6.9	-	-	-	-	-	-	2	254	6.9
Best Western®	-	-	-	-	-	-	1	160	4.4	1	160	4.4
Ramada®	1	124	3.4	-	-	-	-	-	-	1	124	3.4
	16	2,331	63.5	4	280	7.6	11	1,059	28.9	31	3,670	100.0
Full Service	8	1,418	60.8	-	-	-	2	290	27.4	10	1,708	46.5
Limited Service	8	913	39.2	4	280	100.0	9	769	72.6	21	1,962	53.5

The Trust's hotel portfolio of mostly mid-scale and lower mid-scale hotel properties is diversified geographically among seven provinces and territories and derives its revenues from numerous customer segments. The majority of the Trust's hotels derive the bulk of their revenue from corporate and transient oriented leisure segments; they depend less on the group tour segments as they are not situated in locations generally considered to be primary destination leisure markets. Approximately 80% of the Trust's room revenue is derived from transient room nights while 20% is derived from group business.

Revenue

31 hotels / 3,670 rooms*	Three months ended September 30			Nine months ended September 30		
	2009	2008	Variance	2009	2008	Variance
Room revenue	\$20.2	\$22.1	(\$1.9)	\$55.6	\$61.8	(\$6.2)
Food and beverage	2.9	3.4	(0.5)	10.1	12.0	(1.9)
Franchise and management	0.9	0.7	0.2	1.6	1.5	0.1
Other revenue	1.2	1.2	—	3.5	3.9	(0.4)
Total revenue	25.2	27.4	(2.2)	70.8	79.2	(8.4)

Key Performance Drivers and Measures

RevPAR, Occupancy and ADR

Revenue generation remained a key priority in 2009. Royal Host continued to devote substantial resources and attention to maintaining and growing market share and revenue, including revenue

management, stimulating demand through sales and marketing initiatives, such as community festivals and management of brand reservation systems. The Trust continually strives to strengthen its sales and marketing teams.

The hospitality industry and hotel real estate investment trusts commonly use three lodging statistics as key performance indicators:

- **RevPAR**, which combines information about both pricing levels and occupancy. This measure of efficiency is based on all available rooms regardless of whether they are occupied or not. RevPAR is calculated by dividing the number of rooms available in a given period into the room revenue in the same period;
- **Occupancy**, which measures the level of hotel room utilization and is calculated by dividing the number of rooms rented in a given period by the number of rooms available in the same period; and
- **ADR**, which measures the average room price for all guest rooms and is calculated by dividing total room revenue by the number of rooms rented in a given period.

31 hotels / 3,670 rooms*	Three months ended September 30, 2009			Three months ended September 30, 2008		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
Region						
Ontario	58.7%	\$95.34	\$55.99	64.9%	\$99.33	\$64.46
Western	58.6%	\$104.49	\$61.21	62.8%	\$98.99	\$62.16
Atlantic	68.5%	\$102.47	\$70.20	79.6%	\$104.36	\$83.09
Total	59.4%	\$98.52	\$58.54	65.4%	\$99.70	\$65.19

31 hotels / 3,670 rooms*	Nine months ended September 30, 2009			Nine months ended September 30, 2008		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
Region						
Ontario	54.5%	\$98.43	\$53.65	62.1%	\$99.41	\$61.69
Western	54.9%	\$102.54	\$56.26	57.9%	\$96.90	\$56.11
Atlantic	56.3%	\$96.97	\$54.62	69.3%	\$98.11	\$67.96
Total	54.7%	\$99.50	\$54.47	61.4%	\$98.63	\$58.56

* Excludes the Grand Okanagan Lakefront Resort and Conference Centre, the Holiday Inn Edmonton - The Palace, the El Rancho Motor Hotel & Convention Centre, the Travelodge Hotel Burlington on the Lake, the Thriftlodge Fort Nelson and the Sundial Inn as these are included in discontinued operations.

Occupancy has been calculated including all available room nights at the Trust's hotels; available room nights have not been adjusted to exclude rooms/room nights unavailable during the renovation of the Yellowknife Inn or other hotels renovated.

ONTARIO

The quarter ended September 30, 2009 continued to be challenging across most markets in Ontario with the declines in the manufacturing sector affecting the Southern region and lower convention and business travel affecting the Eastern region. Properties in Ottawa, Toronto, Oakville and London all experienced lower occupancies as compared to a year earlier along with decreased rates causing a significant drop in overall RevPAR. These decreases were partially offset by a strong performance from the Trust's two properties in Timmins which continue to benefit from the booming local mining sector and grew RevPAR by an average of eleven percent.

Year to date revenues declined for the Ontario properties primarily due to decreased occupancy levels across all markets with the exception of Timmins.

WESTERN

Quarterly room revenue from the Western properties declined slightly as the Trust's mix of properties produced fairly balanced results as compared to the prior year. Properties in Regina, Saskatoon, Calgary and Yellowknife performed well in the quarter growing RevPAR on the strength of increased rates and higher occupancies (the Saskatchewan properties) or through improved occupancy only (Calgary and Yellowknife). Yellowknife continues to have significant gains in occupancy as compared to a year ago when the hotel was undergoing a major renovation. This was offset by weakness in other properties in markets where reduced oil and gas exploration has reduced crew business.

Year to date, the Trust's room revenue results showed improvement as compared to the prior year due to gains at the Saskatchewan properties and improved results at Yellowknife and Calgary.

ATLANTIC

The Trust's four Atlantic properties all had declines in RevPAR in the third quarter as compared to the prior year. The most significant decline was the Dartmouth property where results have been impacted by new builds in the area.

Year to date, significant declines in occupancy across all the Atlantic properties have contributed to the drop in RevPAR.

Funds from Operations (FFO) and Distributable Income

Funds from Operations

The table below reconciles Funds From Operations, a non-GAAP measure, and Cash Flows From Operating Activities per the Trust's Consolidated Statement of Cash Flows for the three and nine months ended September 30, 2009.

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Income (loss) from continuing operations	(2.2)	1.3	(2.5)	4.2
Adjustments for items not involving cash	6.4	4.3	11.1	9.1
Cash flows provided by (used in) discontinued operations	(0.1)	1.1	(0.2)	4.7
Cash Flows From Operations	4.1	6.7	8.4	18.0
Realized and Unrealized Gains (Losses) on Held For Trading Marketable Securities	—	(0.1)	0.2	(0.3)
Realized Gains on Available-for-sale Marketable Securities	—	0.3	0.9	0.5
Accretion on Mortgages and Capital Leases ⁽¹⁾	(0.1)	(0.2)	(0.2)	(0.5)
Accretion on Convertible Debentures	(0.2)	(0.3)	(0.9)	(0.9)
Discount on Repurchases of Convertible Debentures	0.9	—	1.9	—
Funds From Operations	4.7	6.4	10.3	16.8
Provision for Capital Replacement	(0.9)	(1.1)	(2.6)	(3.0)
Adjusted Funds From Operations	3.8	5.3	7.7	13.8
Per Unit Funds From Operations (\$)				
Basic ⁽²⁾	0.24	0.29	0.52	0.72
Diluted ⁽³⁾	0.24	0.21	0.52	0.55
Per Unit Adjusted Funds From Operations (\$)				
Basic ⁽²⁾	0.19	0.25	0.40	0.59
Diluted ⁽³⁾	0.19	0.19	0.40	0.49

⁽¹⁾ Including discontinued operations.

⁽²⁾ Based on a weighted-average number of trust units of 19,706,548 (2008 – 21,579,236) and 19,859,364 (2008 - 23,354,834) for the three and nine months ended September 30, 2009, respectively.

⁽³⁾ Based on a weighted-average number of trust units of 19,706,548 (2008 – 46,042,506) and 19,859,364 (2008 - 47,955,457) for the three and nine months ended September 30, 2009, respectively.

For the three months ended September 30, 2009, the Trust had an inflow of Funds from Operations of \$4.7 million (2008 - \$6.4 million) due, in part, to the decline in cash flows provided by operations, as described below. Debt issuance costs and conversion options are accreted over the term of the related debt. Unrealized gains and losses on marketable securities included in other comprehensive income are not taken into account in the calculation of Funds from Operations or Adjusted Funds From Operations.

Funds from Operations for the nine months ended September 30, 2009 was \$10.3 million (2008 - \$16.8 million), mainly due to the decrease in cash from operations discussed below.

Adjusted Funds from Operations for the three and nine months ended September 30, 2009 were \$3.8 million (2008 - \$5.3 million) and \$7.7 million (2008 - \$13.8 million), respectively.

Distributable Income

Distributable Income is not a measure defined by GAAP, nor does it have a standard definition, and as such may not be comparable to measures used by other trusts that use similar terms. Royal Host calculates Distributable Income by deducting a provision for capital replacement (calculated as 4.0% of rooms and food and beverage revenue) from cash flows from operations.

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Cash Flows from Operations	4.1	6.7	8.4	18.0
Provision for Capital Replacement	(0.9)	(1.1)	(2.6)	(3.0)
Distributable Income	3.2	5.6	5.8	15.0

Distributable Income decreased comparatively for the three months ended September 30, 2009 to \$3.2 million, or \$0.16 per unit (2008 – \$5.6 million, or \$0.26 per unit), due primarily to decreases in cash flow from total operations as outlined below. Distributable Income for the nine months ended September 30, 2009 decreased to \$5.8 million (2008 - \$15.0 million) due mostly to a decline in cash flows from operating activities.

Distributions declared in the third quarter of 2009 and year to date exceeded Distributable Income due to seasonality, cyclical softness and the declaration of a \$2.1 million special distribution in the first quarter of 2009, financed mainly through cash generated from discontinued operations in the latter half of 2008.

Cash Flows

During the third quarter of 2009, Royal Host's continuing operations provided \$4.9 million of cash flow, representing a \$5.1 million decrease from 2008. This was mainly due to a decrease in distribution and interest income and reduced hospitality gross margin.

For the nine months ended September 30, 2009, Royal Host's continuing operations provided \$7.2 million of cash flow, representing a \$5.9 million decrease from \$13.1 million in 2008. This was mainly due to a decline in hospitality gross margin of \$4.9 million, partially offset by a decrease in interest on mortgage and debenture interest of \$1.0 million.

During the three months ended September 30, 2009, Royal Host's discontinued operations generated no cash flow compared to \$0.5 million utilized in the same period in 2008. In the nine months ended September 30, 2009, Royal Host's discontinued operations utilized \$0.4 million of cash flow, excluding proceeds from the sale of assets compared to \$3.7 million provided in 2008.

For the three months ended September 30, 2009, changes in continuing non-cash working capital provided \$0.8 million of cash flow compared to \$4.4 million provided in the same period in 2008, mainly due to an increase in accounts receivable. During the nine months ended September 30, 2009, changes in continuing non-cash working capital used \$1.4 million of cash flow compared to \$0.2 million used in the same period in 2008.

For the three and nine months ended September 30, 2009, the Trust received \$1.6 million and \$11.6 million, respectively, of proceeds from the sale of marketable securities compared to \$8.9 million and \$11.8 million, respectively, in 2008.

Recent capital improvements have been predominantly deployed in areas that directly improve the guest experience; however, due to economic conditions, the Trust restricted capital investment in

the third quarter of 2009. Capital additions during the three and nine months ended September 30, 2009 utilized cash of \$2.2 million and \$3.6 million, respectively (2008 - \$1.8 million and \$8.7 million).

During 2009, the Trust also expended \$5.8 million on the casino expansion at the Grand Okanagan Lakefront Resort and Conference Centre (a condition of the sale of the property), which concluded in June 2009.

Distributions to Unitholders

During the first and second quarters of 2009, the Trust maintained monthly distributions of \$0.055 per trust unit. Effective from the date of the September 2009 distribution payment paid to unitholders of record August 31, 2009, the Trust reduced the monthly distribution to \$0.025 per trust unit. Distributions paid in the three months ended September 30, 2009 totaled \$2.7 million compared to \$3.6 million in 2008. Distributions paid in the nine months ended September 30, 2009 totaled \$11.3 million, including the \$2.1 million special distribution declared in February 2009 compared to \$11.6 million for the same period last year.

Royal Host sets monthly distributions based on, among other considerations, financial performance, projected cash flows, capital requirements and working capital requirements.

Seasonality

The hospitality industry business is seasonal in nature and the periods during which individual properties experience higher demand vary depending primarily on location. While the Trust's revenue is typically higher in the second and third quarters, as compared to the first and fourth quarters, several of the Trust's costs, including property taxes and interest are fixed, and other costs such as utilities are largely fixed. Consequently, profitability varies significantly from quarter to quarter and distributions in the first and fourth quarters typically exceed the Trust's corresponding Distributable Income.

Discontinued Operations

Discontinued operations is comprised of the four properties sold in 2008: Travelodge Hotel Burlington on the Lake, El Rancho Motor Hotel & Convention Centre, Holiday Inn Edmonton – The Palace, and Grand Okanagan Lakefront Resort and Conference Centre, as well as the Thriftlodge Fort Nelson, which was destroyed by fire in 2008 and the Sundial Inn which was decommissioned in 2008.

Liquidity and Capital Resources

The Trust's principal sources of funds to satisfy cash requirements are cash flows from hospitality operations and distributions and interest income from its portfolio of marketable securities.

During the first quarter of 2009, the Trust entered into a \$20 million secured revolving credit facility to enhance its liquidity.

The Trust's Series A, 7.9% Convertible Debentures matured on April 30, 2009. Repayment was funded from working capital and the Trust's credit facility as described herein.

As at September 30, 2009, Royal Host had \$2.1 million of cash, undrawn credit facilities of \$7.1 million, marketable securities of \$47.9 million (December 31, 2008 - \$56.4 million) and access to potential additional borrowing on its properties. Royal Host's undrawn credit facility, additional borrowing potential and marketable securities, together with its future cash flows and mortgage refinancings, are expected to be sufficient to fund anticipated cash requirements over the next year.

The Trust has two mortgages coming due within the next 12 months; \$21.6 million due May 2010 and \$24.3 million due September 2010 and is beginning to explore several refinancing options for these mortgage maturities.

Expected costs to complete the casino expansion at the Grand Okanagan Resort (a condition of the sale of the property) were \$0.3 million as at September 30, 2009; the project was substantially completed and turned over to the tenant in June 2009.

Royal Host may, in the future, take such actions in respect of its holdings of marketable securities as it may deem appropriate in light of the circumstances then existing, including the purchase of additional securities through open market purchases or privately negotiated transactions, or the sale of all or a portion of its holdings in the open market or in privately negotiated transactions to one or more purchasers.

As at September 30, 2009, the Trust also had restricted cash of \$3.3 million (December 31, 2008 - \$4.7 million) in the form of funds held by lenders pursuant to financing arrangements for future planned capital expenditures.

Capital Structure

As at September 30, 2009, mortgages and convertible debentures had an aggregate carrying value of \$228.3 million (December 31, 2008 - \$243.4 million). Principal outstanding at September 30, 2009 totaled \$235.2 million (December 31, 2008 - \$251.8 million). The Trust had also drawn \$12.9 million of its \$20.0 million credit facility.

Royal Host's debt (excluding convertible debentures) is limited by its Declaration of Trust to 45% of gross book value. As at September 30, 2009, Royal Host's debt (excluding convertible debentures) to gross book value was 26.0% (December 31, 2008 - 19.7%). As at September 30, 2009, Royal Host's debt (including convertible debentures) to gross book value was 68.0% (December 31, 2008 - 58.9%).

Mortgages

As at September 30, 2009, the carrying value of the Trust's mortgages was \$81.2 million (December 31, 2008 - \$83.6 million). The carrying value reflects total outstanding principal of \$81.6 million (December 31, 2008 - \$84.3 million) less \$0.4 million of debt issuance costs (December 31, 2008 - \$0.6 million). The \$2.4 million decrease in carrying value during the year is attributable to the accretion of debt issuance costs of \$0.2 million and \$2.6 million of scheduled mortgage principal repayments made during 2009.

MORTGAGE MATURITIES

As at September 30, 2009	Principal Outstanding (\$000's)	Interest Rate	Security
May 2010 ⁽¹⁾	21,583	7.35%	2 hotel properties
September 2010	24,279	9.38%	11 hotel properties
November 2010	10,707	9.30%	8 hotel properties and vacant land
October 2011	12,085	8.46%	1 hotel property
March 2013	5,042	8.50%	2 hotel properties
October 2013	7,547	7.37%	1 hotel property
Total	81,243		

⁽¹⁾ Six-month extension provision on original November 2009 maturity was exercised and has been approved.

As at November 13, 2009, the Trust has three operating hotel properties (the Yellowknife Inn, the Travelodge Thunder Bay and the Travelodge Thunder Bay Airline), which have not been directly pledged as mortgage security. During the first quarter of 2009, the Trust entered into a \$20 million secured revolving credit facility, of which \$12.9 million was drawn at September 30, 2009, secured by three other hotel properties with interest accruing at the bank's prime lending rate plus a spread of 0.25% to 1.25% per annum.

Related Party Transactions

At September 30, 2009, Clarke Inc. owned approximately 5.3 million (approximately 27%) of Royal Host's issued and outstanding trust units and, as such, is a related party.

During the three and nine months ended September 30, 2009, the Trust incurred professional and management fees totaling \$0.3 million and \$0.5 million, respectively, for services provided by Clarke Inc. (primarily related to the Grand Okanagan Resort casino expansion and asset management).

Taxation Changes to Income Trusts

The provisions of Bill C-52 will apply a tax, which we refer to as the "SIFT tax", on certain income earned by a "specified investment flow-through" ("SIFT") trust as well as taxing the taxable distributions received by investors from such entities as dividends.

Commencing on January 1, 2011, certain distributions from Royal Host which would otherwise have been taxed as ordinary income generally will be characterized as dividends, in addition to Royal Host generally being subject to tax on certain income at rates that approximate those applicable to corporations. Return of capital is tax-deferred for Unitholders who are residents of Canada for purposes of the Income Tax Act (and reduce such Unitholders' adjusted cost base in such Unit for purposes of the Income Tax Act). Commencing on January 1, 2011, Royal Host will no longer be permitted to deduct for tax purposes its taxable distributions and, as such, will be required to pay tax prior to distribution. Distributions that are classified as return of capital are not subject to this tax.

Management has reviewed applicable legislative provisions and other applicable guidance. Management currently believes that hotel operations, management and franchising are each non-compliant activities, and Royal Host constitutes a SIFT trust. As a result, unless Royal Host disposes of assets and activities that do not qualify under exemptions, Royal Host and its Unitholders will be subject to the SIFT tax.

Income trusts have essentially three alternatives: convert to a corporation; complete a sale; or remain an income trust and position themselves as advantageously as possible in terms of post-2010 taxation. In 2008, the Minister of Finance introduced two methods of enabling a SIFT trust to convert into a publicly-traded corporation generally without material adverse tax consequences for the trust or its Unitholders.

The Trust has deliberated extensively on these matters and continues to consider what actions, if any, it will take as a result of post-2010 legislation.

Environmental Matters

The Trust is exposed to certain environmental risks in conducting regular operations including contamination of owned property and improper care and handling of raw materials and wastes.

Royal Host regularly reviews its operations and facilities to identify any potential environmental contamination or liability. These reviews identified no material remediation issues and potential risks and there have been no material events arising subsequently that would indicate additional obligations. Royal Host believes it complies materially with all relevant environmental laws and regulations. The Trust is not aware of any pending or proceeding actions against it or any of its subsidiaries relating to environmental issues.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Trust is communicated to Management on a timely basis to allow timely and appropriate decisions regarding required public disclosure.

An evaluation of the effectiveness of the design and operation of the Trust's disclosure controls and procedures was conducted as of September 30, 2009 by Management under the supervision of the Director of Finance (in the capacity of the Chief Financial Officer for this purpose) and the Executive Chairman of the Board of Trustees (in the capacity of the Chief Executive Officer for this purpose). Based on that evaluation, these individuals concluded that the design and operation of these disclosure controls and procedures were effective as at September 30, 2009.

Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP.

There have been no changes in Royal Host's internal control over financial reporting during the nine months ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, Royal Host's internal control over financial reporting.

During the third quarter of 2009, certain management changes occurred and certain management responsibilities were reassigned. These changes have not materially affected Royal Host's internal controls over financial reporting. In September of 2009, the Chief Financial Officer of Royal Host announced his resignation. The trustees are in the process of establishing a transition plan, and until a replacement is announced, his responsibilities have been assumed by Royal Host's executive and finance team with no resulting impact on internal controls over financial reporting.

Key Accounting Policies and Estimates

Note 1 to the consolidated financial statements for the year ended December 31, 2008 includes a summary of the Trust's significant accounting policies.

The application of some of these policies requires the Trust to make estimates of future events that may have a material effect on current or future financial results. These estimates require experience and judgment and are subject to the inherent risk of inaccuracy, particularly where they relate to events that are expected to take place well into the future.

Changes in Accounting Policies

Goodwill and Intangible Assets

The CICA has a new accounting standard, Section 3064 "Goodwill and Intangible Assets" to replace Handbook Section 3062 "Goodwill and Other Intangible Assets". Handbook Section 3064 clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. Royal Host adopted this section on January 1, 2009. The adoption of Section 3064 did not have a material effect on the financial statements of Royal Host.

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board ("AcSB") announced the replacement of Canadian GAAP with International Financial Reporting Standards ("IFRS") for publicly accountable profit-oriented enterprises including listed companies, effective for years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for 2010.

The Trust's Consolidated Financial Statements are currently prepared in accordance with Canadian GAAP and may be significantly different when presented in accordance with IFRS.

The Trust's management is currently in the process of evaluating the potential impact of IFRS to its consolidated financial statements. The International Accounting Standards Board ("IASB") is currently undertaking a significant reform program. As a result, a number of international standards are subject to new issuance, update and revision. Current and proposed projects will result in changes to standards, and the changes could materially affect how Royal Host would account for transactions. Management will continue to monitor standards issued by the IASB and the AcSB, as well as regulations issued by the CSA, which may affect the timing, nature or disclosure of the Trust's adoption of IFRS.

The Trust has performed a high-level preliminary assessment of the differences between Canadian GAAP and IFRS and the potential impact of the adoption of IFRS to accounting and reporting processes, disclosure, information systems and business processes. The Trust is currently in the process of developing an IFRS convergence plan. An IFRS Steering Committee comprised of senior level management will monitor the Trust's IFRS Convergence Project and provide periodic updates to the Trust's Senior Management, Audit Committee and Board of Trustees.

The Trust's IFRS Convergence Plan will encompass, among other elements of adoption of IFRS: differences between Canadian GAAP and IFRS; training and education of employees; resource requirements; assessing impact on internal controls over financial reporting; assessing impact on business activities; assessing impact on information systems; and communication.

Subsequent Events

Subsequent to the quarter end, the Trust entered into a management agreement with Lakeview Management Inc. (Lakeview) to manage an additional 14 of the Trust's limited service properties. Lakeview has managed the Trust's 7 Country Inn and Suites properties for the last 12 years and with this new agreement, Lakeview will now manage all of the Trust's limited service properties. Royal Host continues to manage the 10 full-service properties in the portfolio.

On November 4, 2009, Royal Host announced a substantial issuer bid pursuant to which the Trust will offer to purchase for cancellation up to 5 million of its outstanding trust units from unitholders at a price of \$2.45 per unit. The offer will expire on December 14, 2009.

Outlook

As the Canadian hotel sector moves through this economic cycle, Royal Host's three most important focuses remain revenue generation, cost controls and preserving and improving its financial condition. Royal Host continues to focus considerable attention on revenue management and generating demand. Meanwhile, Royal Host has continued to manage costs through a number of initiatives, including staffing to demand. Finally, Royal Host has and will continue to work diligently on ensuring it has ample liquidity, including exploring alternatives for upcoming debt maturities. Royal Host remains well positioned to take advantage of opportunities as they arise.

During the quarter, Royal Host has embarked on a number of initiatives aimed at refining existing financial reporting processes, refocusing management efforts and enhancing operating margins. As such, Royal Host entered into a third party management agreement, which will allow Royal Host's Executive and Operational leaders to focus on hotel operating results with day to day responsibilities being handled by our manager.

The economic challenges that the hotel sector has weathered since the fall of last year has provided incentive to optimize costs, revisit processes and rethink ways of doing business. The REIT continues to analyze current and potential property repositioning opportunity with an eye toward enhancing our competitiveness in key markets. The long term impact of these challenging times should be a more efficient operating platform.

Royal Host Real Estate Investment Trust

September 30, 2009 and 2008

Royal Host Real Estate Investment Trust
CONSOLIDATED BALANCE SHEETS

Unaudited (in thousands of dollars)

	September 30, 2009	December 31, 2008
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	2,055	6,440
Marketable securities	47,921	56,350
Accounts, notes and distributions receivable	6,969	4,876
Prepaid expenses	3,571	2,588
Inventories	2,121	2,220
Assets of discontinued operations	442	1,177
	<u>63,079</u>	<u>73,651</u>
Capital assets	219,869	225,081
Intangible assets (note 2)	2,983	4,533
Property held for sale	2,025	2,025
Restricted cash	3,303	4,746
	<u>291,259</u>	<u>310,036</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness (note 4)	12,907	—
Accounts payable and accrued liabilities (note 11)	12,067	11,869
Equity distributions payable	490	1,141
Interest accrued on convertible debentures	1,964	1,445
Mortgages	47,556	24,636
Convertible debentures (note 6)	—	7,252
Obligations under capital leases	68	65
Other liabilities	335	269
Liabilities of discontinued operations	466	6,356
	<u>75,853</u>	<u>53,033</u>
Mortgages (note 5)	33,687	59,000
Convertible debentures (note 6)	147,043	152,515
Obligations under capital leases	126	178
Deferred revenue	535	408
Future income taxes	7,533	8,14
Total liabilities	<u>264,777</u>	<u>273,275</u>
Unitholders' equity	<u>26,482</u>	<u>36,761</u>
	<u>291,259</u>	<u>310,036</u>

See accompanying notes to financial statements

Royal Host Real Estate Investment Trust
CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND
COMPREHENSIVE INCOME

Unaudited (in thousands of dollars, except per share amounts)

	Three months ended September 30, 2009 \$	Three months ended September 30, 2008 \$	Nine months ended September 30, 2009 \$	Nine months ended September 30, 2008 \$
Hospitality revenue				
Rooms	20,206	22,134	55,628	61,829
Food and beverage	2,920	3,366	10,099	12,022
Franchising and management	850	683	1,569	1,506
Other	1,220	1,229	3,556	3,844
	25,196	27,412	70,852	79,201
Hospitality expenses				
	17,879	19,534	54,627	58,065
	7,317	7,878	16,225	21,136
Investment income				
Distributions and interest	1,707	2,924	6,872	7,291
Realized and unrealized gains (losses) on held for trading securities	—	(152)	195	(348)
Other than temporary impairment on marketable securities	(4,009)	—	(4,009)	—
Realized gains on available-for-sale securities	42	346	900	492
	(2,260)	3,118	3,958	7,435
Other Expenses				
Trust administration (note 11)	579	733	1,643	1,592
Interest and accretion on mortgages and capital leases	1,982	2,079	5,808	5,772
Interest and accretion on convertible debentures	2,623	2,961	8,187	9,205
Gain on convertible debenture repurchases	(887)	(36)	(1,921)	(36)
Depreciation and amortization	3,203	3,166	9,656	9,434
Future income taxes (recovery) expense	(220)	836	(608)	(1,506)
(Gain) loss on foreign currency translation	—	11	(4)	(46)
	7,280	9,750	22,761	24,415
Income (loss) from continuing operations	(2,223)	1,246	(2,578)	4,156
Income (loss) from discontinued operations	121	75,112	(39)	102,287
Net Income (loss)	(2,102)	76,358	(2,617)	106,443
Other comprehensive income (loss) (note 10)	6,189	(15,653)	6,067	(16,940)
Comprehensive income	4,087	60,705	3,450	89,503
Basic earnings per unit: (in dollars) (note 8)				
Income (loss) from continuing operations	(0.11)	0.06	(0.13)	0.18
Income from discontinued operations	0.01	3.48	—	4.38
Net income (loss)	(0.10)	3.54	(0.13)	4.56
Diluted earnings per unit: (in dollars)				
Income (loss) from continuing operations	(0.11)	0.06	(0.13)	0.18
Income from discontinued operations	0.01	3.48	—	4.38
Net income (loss)	(0.10)	3.54	(0.13)	4.56

See accompanying notes to financial statements

Royal Host Real Estate Investment Trust
CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

Unaudited (in thousands of dollars)

	Three months ended September 30, 2009 \$	Three months ended September 30, 2008 \$	Nine months ended September 30, 2009 \$	Nine months ended September 30, 2008 \$
Trust Units				
Balance at beginning of period	154,653	169,321	163,213	217,138
Issuance of units pursuant to debenture conversion option	—	1,449	929	1,687
Trust units repurchased pursuant to normal course issuer bid	(1,040)	(1,620)	(10,526)	(7,098)
Trust units repurchased pursuant to substantial issuer bid	—	—	—	(42,572)
Employee loans pursuant to employee unit purchase program	13	10	10	5
Balance at end of period	153,626	169,160	153,626	169,160
Convertible Equity				
Balance at beginning of period	3,180	3,637	3,293	3,637
Convertible debentures repurchased pursuant to normal course issuer bid	(12)	(217)	(98)	(217)
Issuance of units pursuant to debenture conversion option	—	(3)	(27)	(3)
Balance at end of period	3,168	3,417	3,168	3,417
Contributed surplus				
Balance at beginning of period	26,928	18,115	21,024	9,628
Trust units repurchased pursuant to normal course issuer bid	765	275	6,645	1,432
Trust units repurchased pursuant to substantial issuer bid	—	—	—	7,330
Employee loans pursuant to employee unit purchase program	—	—	24	—
Balance at end of period	27,693	18,390	27,693	18,390
Accumulated Income				
Balance at beginning of period	59,025	69,248	59,540	39,163
Net income (loss)	(2,102)	76,358	(2,617)	106,443
Balance at end of period	56,923	145,606	56,923	145,606
Distributions				
Balance at beginning of period	(218,924)	(175,328)	(210,309)	(167,642)
Distributions on trust units	(2,071)	(3,559)	(10,686)	(11,245)
Balance at end of period	(220,995)	(178,887)	(220,995)	(178,887)
Accumulated other comprehensive income (loss) (note 10)				
Balance at beginning of period	(122)	(3,497)	—	(2,210)
Other comprehensive income (loss)	6,189	(15,653)	6,067	(16,940)
Balance at end of period	6,067	(19,150)	6,067	(19,150)
Total unitholders' equity	26,482	138,536	26,482	138,536

See accompanying notes to financial statements

Royal Host Real Estate Investment Trust
CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited (in thousands of dollars)

	Three months ended September 30, 2009 \$	Three months ended September 30, 2008 \$	Nine months ended September 30, 2009 \$	Nine months ended September 30, 2008 \$
OPERATING ACTIVITIES				
Income (loss) from continuing operations	(2,223)	1,246	(2,578)	4,156
Adjustments for items not involving cash (note 9)	6,397	4,324	11,105	9,154
Cash flows provided by (used in) discontinued operations	(44)	1,109	(173)	4,667
Changes in non-cash working capital – continuing operations (note 9)	758	4,351	(1,370)	(219)
Changes in non-cash working capital – discontinued operations	16	(1,619)	(211)	(976)
	4,904	9,411	6,773	16,782
FINANCING ACTIVITIES				
Increase in bank indebtedness	(28)	—	12,907	—
Repurchases of convertible debentures pursuant to normal course issuer bids	(1,334)	(7,398)	(3,581)	(7,398)
Repurchases of trust units pursuant to normal course issue bids and substantial issuer bid	(275)	(1,346)	(3,881)	(40,908)
Convertible debenture repayment at maturity	—	—	(7,288)	—
Equity distributions	(2,665)	(3,558)	(11,335)	(11,575)
Principal repayments on mortgages and capital leases	(895)	(35,935)	(2,638)	(38,894)
Proceeds from repayment of employee unit purchase loan	13	10	34	5
	(5,184)	(48,227)	(15,782)	(98,770)
INVESTING ACTIVITIES				
Proceeds on dispositions of marketable securities	1,644	8,901	11,631	11,805
Purchases of marketable securities	—	(58,688)	(47)	(75,053)
Acquisitions of capital assets	(2,217)	(1,816)	(3,591)	(8,668)
Net acquisitions on expansion of property – discontinued operations	(186)	—	(5,787)	—
(Increase) decrease in restricted cash	468	(19,282)	1,443	(19,318)
Net cash on dispositions of capital assets	—	116,993	—	168,707
Net cash on dispositions of property under development	—	9,738	—	8,573
Net cash on insurance recovery	168	—	975	3,625
	(123)	55,846	4,624	89,671
Increase (decrease) in cash and cash equivalents	(403)	17,030	(4,385)	7,683
Cash and cash equivalents, beginning of period	2,458	37,476	6,440	46,823
Cash and cash equivalents, end of period	2,055	54,506	2,055	54,506
Cash interest paid				
Mortgages and capital leases	1,926	2,338	5,621	7,186
Convertible debentures	1,678	1,841	6,798	7,461
	3,604	4,179	12,419	14,647

See accompanying Notes to the Consolidated Interim Financial Statements

Royal Host Real Estate Investment Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 30, 2009 and 2008

Unaudited (in thousands of dollars, except per share amounts)

1. GENERAL INFORMATION

Royal Host Real Estate Investment Trust ("Royal Host" or the "Trust") was created pursuant to the declaration of Trust dated August 27, 1997. Royal Host is an unincorporated open-end mutual fund trust established for the purpose of investing in hotel properties and hospitality businesses, under specified guidelines as defined under the Declaration of Trust.

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The accounting principles used in these financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2008 except for changes described in note two. These financial statements do not include all the information and disclosure required by GAAP for annual financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2008.

Comparative figures for operations of properties and businesses that were disposed of prior to September 30, 2009, or held for sale at September 30, 2009, have been reclassified from continuing operations to discontinued operations on the consolidated statements of net income (loss) and comprehensive income and the consolidated statements of cash flows.

Revenues earned from hotel operations fluctuate throughout the year, with the second and third quarters typically higher than the first and fourth due to the increased level of leisure travel in the summer months.

2. CHANGES IN ACCOUNTING POLICIES

Goodwill and Intangible Assets

The CICA has issued a new accounting standard, Section 3064, "Goodwill and Intangible Assets", which clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. This standard is effective for the Trust's 2009 fiscal year, and adopted on a retroactive basis with restatement. This change in accounting policy did not have a material impact on the financial statements of Royal Host.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

Business Combinations

The CICA issued Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". This new standard aligns accounting for business combinations under Canadian GAAP with IFRS and is effective for business combinations entered into on or after January 1, 2011. The adoption of the revised standard is expected to impact Royal Host's financial statements only to the extent that business combinations are entered into after the effective date.

4. BANK INDEBTEDNESS

During the nine months ended September, 30, 2009, the Trust entered into a credit facility with a maximum availability of \$20.0 million. The facility bears interest at the Canadian bank prime rate plus 1.25%, is payable on demand and secured by three properties owned by the Trust.

Royal Host Real Estate Investment Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 30, 2009 and 2008

Unaudited (in thousands of dollars, except per share amounts)

5. MORTGAGES

During the nine months ended September 30, 2009, the Trust was in non-monetary default under a loan agreement and also during this period the lender entered into a restated loan agreement with the Trust, curing the event of default. During the nine months ended September 30, 2009, the Trust obtained agreement from the lender to extend the maturity date of the mortgage from November 2009 to May 2010.

6. CONVERTIBLE DEBENTURES

	September 30, 2009	December 31, 2008
	\$	\$
7.90% Convertible Unsecured Subordinated Debentures, Series A	—	7,252
6.00% Convertible Unsecured Subordinated Debentures, Series B	44,431	45,154
6.25% Convertible Unsecured Subordinated Debentures, Series C	50,527	52,771
5.90% Convertible Unsecured Subordinated Debentures, Series D	52,085	54,590
	147,043	159,767
Less: current portion	—	7,252
	147,043	152,515

(a) 6.00% Convertible Unsecured Subordinated Debentures, Series B

During the three and nine months ended September 30, 2009, \$nil and \$1.0 million of Royal Host's 6.00% convertible unsecured subordinated debentures were converted into trust units. Commencing on September 10, 2009, Royal Host initiated a normal course issuer bid to repurchase a maximum of \$4.2 million in principal of its issued and outstanding 6.00% convertible debentures. During the three and nine months ended September 30, 2009, Royal Host repurchased \$nil in principal of the 6.00% convertible debentures.

(b) 6.25% Convertible Unsecured Subordinated Debentures, Series C

Commencing on September 10, 2008, Royal Host initiated a normal course issuer bid to repurchase a maximum of \$5.9 million in principal of its issued and outstanding 6.25% convertible debentures. During the three and nine months ended September 30, 2009, Royal Host repurchased \$nil and \$2.8 million in principal of the 6.25% convertible debentures with an aggregate cost of \$nil and \$1.9 million (average cost \$68.60) pursuant to this bid.

Commencing on September 10, 2009, Royal Host initiated a normal course issuer bid to repurchase a maximum of \$5.2 million in principal of its issued and outstanding 6.25% convertible debentures. During the three and nine months ended September 30, 2009, Royal Host repurchased \$nil in principal of the 6.25% convertible debentures pursuant to this bid.

(c) 5.90% Convertible Unsecured Subordinated Debentures, Series D

Commencing on September 10, 2008, Royal Host initiated a normal course issuer bid to repurchase a maximum of \$6.0 million in principal of its issued and outstanding 5.90% convertible debentures. During the three and nine months ended September 30, 2009, Royal Host repurchased \$2.2 million and \$2.8 million in principal of the 5.90% convertible debentures with an aggregate cost of \$1.3 million (average price of \$58.23) and an aggregate cost of \$1.6 million (average price of \$58.29) pursuant to this bid.

Commencing on September 10, 2009, Royal Host initiated a normal course issuer bid to repurchase a maximum of \$5.4 million in principal of its issued and outstanding 5.90% convertible debentures. During the three and nine months ended September 30, 2009, Royal Host repurchased \$0.1 million in principal of the 5.90% convertible debentures with an aggregate cost of \$0.1 million (average price of \$58.49) pursuant to this bid.

Royal Host Real Estate Investment Trust

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Three and nine months ended September 30, 2009 and 2008

Unaudited (in thousands of dollars, except per share amounts)

6. CONVERTIBLE DEBENTURES (CONT'D)

(c) Revised Conversion Prices

Pursuant to the terms and conditions of the Trust Indenture dated February 21, 2002 as supplemented by a Supplemental Trust Indenture thereto, the conversion prices of the Trust's convertible debentures were adjusted. The adjustments to the conversion prices are as follows: (i) the 6.00% convertible unsecured subordinated debentures, due October 30, 2015, was lowered from \$6.85 per trust unit (or approximately 145.99 trust units per \$1,000 principal amount of debentures) to \$4.76 per trust unit (or approximately 210.08 trust units per \$1,000 principal amount of debentures); (ii) the 6.25% convertible unsecured subordinated debentures, due September 30, 2013, was lowered from \$7.00 per trust unit (or approximately 142.68 trust units per \$1,000 principal amount of debentures) to \$4.87 per trust unit (or approximately 205.34 trust units per \$1,000 principal amount of debentures); and (iii) the 5.90% convertible unsecured subordinated debentures, due June 30, 2014, was lowered from \$8.90 per trust unit (or approximately 112.36 trust units per \$1,000 principal amount of debentures) to \$6.19 per trust unit (or approximately 161.55 trust units per \$1,000 principal amount of debentures).

7. NORMAL COURSE ISSUER BIDS AND SUBSTANTIAL ISSUER BID

Commencing on January 12, 2009, Royal Host initiated a normal course issuer bid to repurchase a maximum of 1.5 million of its issued and outstanding trust units. During the three and nine months ended September 30, 2009, Royal Host repurchased 0.1 million units and 1.3 million units with an aggregate cost of \$0.3 million (average price of \$2.08 per unit) and \$3.9 million (average price of \$2.84) pursuant to this bid. Subsequent to September 30, 2009, Royal Host repurchased 102,474 units with an aggregate cost of \$0.2 million (average cost \$2.18 per unit) pursuant to this bid.

8. PER UNIT CALCULATIONS

As at September 30, 2009, a total of 19,617,649 trust units (December 31, 2008 – 20,739,003) were issued and outstanding. The following table reconciles the basic and diluted per unit computations from continuing operations:

	Three months ended September 30, 2009			Three months ended September 30, 2008		
	Income \$	Units (in thousands) #	Per unit amount \$	Income \$	Units (in thousands) #	Per unit amount \$
Basic earnings (loss) per unit	(2,223)	19,707	(0.11)	1,246	21,579	0.06
Interest on assumed conversion of convertible debentures	—			—	—	—
Diluted earnings (loss) per unit	(2,223)	19,707	(0.11)	1,246	21,579	0.06

Royal Host Real Estate Investment Trust

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8. PER UNIT CALCULATIONS (CONT'D)

	Nine months ended September 30, 2009			Nine months ended September 30, 2008		
	Income	Units	Per unit	Income	Units	Per unit
	\$	(in thousands) #	amount \$	\$	(in thousands) #	amount \$
Basic earnings (loss) per unit	(2,578)	19,859	(0.13)	4,156	23,355	0.18
Interest on assumed conversion of convertible debentures	—			—		—
Diluted earnings (loss) per unit *	(2,578)	19,859	(0.13)	4,156	23,355	0.18

* All potential dilutive securities issued relate to convertible debentures which were anti-dilutive for the three and nine months ended September 30, 2008 and 2009.

9. SUPPLEMENTAL CASH FLOW INFORMATION

Adjustments for items not involving cash	Three months	Three months	Nine months	Nine months
	ended September 30, 2009	ended September 30, 2008	ended September 30, 2009	ended September 30, 2008
	\$	\$	\$	\$
Depreciation and amortization	3,203	3,166	9,656	9,434
Future income taxes (recovery) expense	(220)	836	(608)	(1,506)
Unrealized (gains) losses on marketable securities	—	152	(1,742)	348
Other than temporary impairment on marketable securities	4,009	—	4,009	—
Realized (gains) losses on marketable securities	(42)	(346)	647	(492)
Gain on convertible debenture repurchases	(887)	(36)	(1,921)	(36)
Accretion on mortgages and capital leases	61	196	198	49
Accretion on convertible debentures	273	356	867	1,357
Adjustments for items not involving cash	6,397	4,324	11,105	9,154

Royal Host Real Estate Investment Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 30, 2009 and 2008

Unaudited (in thousands of dollars, except per share amounts)

9. SUPPLEMENTAL CASH FLOW INFORMATION (CONT'D)

Net changes in non-cash working capital balances	Three months ended September 30, 2009 \$	Three months ended September 30, 2008 \$	Nine months ended September 30, 2009 \$	Nine months ended September 30, 2008 \$
Increase (decrease) in:				
Accounts, notes and distributions receivable	(607)	3,213	(2,093)	512
Prepaid expenses	(88)	592	(983)	113
Inventories	(2)	695	99	1,141
	(697)	4,500	(2,977)	1,766
Increase (decrease) in:				
Accounts payable and accrued liabilities	940	561	895	(1,455)
Interest accrued on convertible debentures	668	777	519	777
Other liabilities	(94)	(1,528)	66	(1,482)
Deferred revenue	(59)	41	127	175
	1,455	(149)	1,607	(1,985)
Net change in non-cash working capital balances	758	4,351	(1,370)	(219)

10. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Three months ended September 30, 2009 \$	Three months ended September 30, 2008 \$	Nine months ended September 30, 2009 \$	Nine months ended September 30, 2008 \$
Accumulated other comprehensive loss, beginning of period	(122)	(3,497)	—	(2,210)
Other comprehensive income (loss)	6,189	(15,653)	6,067	(16,940)
Accumulated other comprehensive income (loss), end of period	6,067	(19,150)	6,067	(19,150)

Royal Host Real Estate Investment Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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10. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (CONT'D)

Other comprehensive income (loss) above, and on the consolidated statements of net income (loss) and comprehensive income, includes the following:

	Three months ended September 30, 2009 \$	Three months ended September 30, 2008 \$	Nine months ended September 30, 2009 \$	Nine months ended September 30, 2008 \$
Unrealized gains (losses) generated on available-for-sale assets	2,222	(15,307)	2,958	(16,448)
Other than temporary impairment on available-for-sale securities transferred to net income (loss)	4,009	—	4,009	—
Realized gains on available-for-sale securities transferred to net income (loss)	(42)	(346)	(900)	(492)
Other comprehensive income (loss)	6,189	(15,653)	6,067	(16,940)

11. RELATED PARTY TRANSACTIONS

At September 30, 2009, Clarke Inc. owned approximately 5.3 million (27%) of Royal Host's issued and outstanding trust units and, as such, is a related party (December 31, 2008 - 5.3 million). At September 30, 2009, Royal Host owns \$nil (December 31, 2008 - \$2.1 million) of Clarke Inc. 6.0% Convertible Debentures, which had been included in the Trust's marketable securities.

During the three and nine months ended September 30, 2009, the Trust incurred professional and management fees of \$0.3 million and \$0.5 million for services supplied by Clarke Inc. (three and nine months ended September 30, 2008 - \$0.04 million and \$0.1 million). As at September 30, 2009, \$0.2 million was owing in respect of these fees (December 31, 2008 - \$17,000).

During the three and nine months ended September 30, 2009, the Trust incurred consulting fees for services provided by a Company controlled by a Trustee of Royal Host of \$nil and \$0.1 million respectively (three and nine months ended September 30, 2008 - \$0.2 million). As at September 30, 2009, \$nil was owing in respect of these fees (December 31, 2008 - \$25,000).

12. COMMITMENTS

The Trust has entered into contracts to secure future electrical and natural gas requirements. These contracts require the physical delivery of commodities and cannot be settled in cash. At September 30, 2009 the future commitments under these contracts totaled \$0.5 million for deliveries to December 31, 2010.

The Trust has a letter of credit outstanding to secure obligations related to the construction of a casino at the Grand Okanagan Resort. At September 30, 2009, the amount on the letter of credit was \$1.0 million (December 31, 2008, \$6.4 million) and the Trust had pledged marketable securities of \$1.3 million (December 31, 2008, \$8.0 million).

Royal Host Real Estate Investment Trust

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13. SUBSEQUENT EVENTS

Subsequent to the quarter end, the Trust entered into a management agreement with Lakeview Management Inc. (“Lakeview”) to manage an additional 14 of the Trust’s limited service properties. Lakeview has managed the Trust’s seven Country Inn and Suites properties for the last twelve years and with this new agreement, Lakeview will now manage all of the Trust’s limited service properties. Royal Host continues to manage the ten full-service properties in the portfolio.

On November 4, 2009, Royal Host announced a substantial issuer bid pursuant to which the Trust will offer to purchase for cancellation up to 5 million of its outstanding trust units from unitholders at a price of \$2.45 per unit. The offer will expire on December 14, 2009.