

For Immediate Release, May 4, 2011

Deans Knight Income Corporation

Announces First Quarter 2011 Operating Update - Unaudited

Vancouver, B.C. - Deans Knight Income Corporation (the “Company”) (TSX: DNC) is pleased to provide an operational update of the Company and the Company’s quarterly portfolio disclosure for the three months ended March 31, 2011.

Highlights:

- At March 31, 2011, the net asset value (“NAV”) of the Company was \$13.96 per Share.
- Net earnings¹ for the three months ended March 31, 2011 were \$1.85 million, or \$0.1757 per Share.
- The Company paid dividends of \$0.1749 per share on all of its outstanding voting and non-voting common shares (collectively, the “Shares”) for the three months ended March 31, 2011, which equated to 100% of net earnings.

Corporate:

During the three months ended March 31, 2011, the Company generated net earnings of \$1.85 million. In addition to net earnings, the Company also generated \$2.4 million of realized capital gains to March 31, 2011 from the sale of certain holdings and the settlement of foreign currency contracts. The Company paid out \$1.85 million in dividends, equalling \$0.0583 per Share each month or \$0.1749 per Share for the quarter. This represented approximately 100% of net earnings.

Based on the Company’s investments at March 31, 2011, the Company anticipates that it will be able to generate enough income from its investments to pay the monthly dividends of \$0.0583 per Share throughout the second quarter of 2011.

Investments:

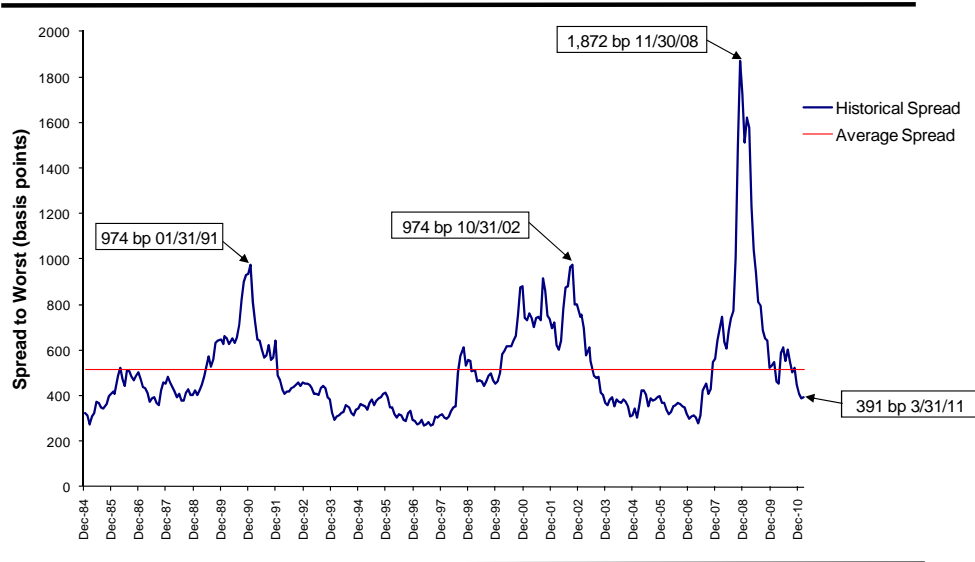
There was certainly a lot to fret about during this past quarter. Unrest in the Middle East, rising oil prices, and American frustration with Federal energy policy. The 9.0 earthquake and resulting tsunami in Japan on March 11, 2011 shocked the world. The massive death toll and devastation saddened us all. These events roiled financial markets.

Despite the events in the Middle East and Japan, spreads between U.S. 10-year Treasuries and high yield bonds continued to narrow during the quarter (see graph below).

¹ The Company calculates net earnings as interest income less the on-going operating costs of the Company, and excluding any realized capital gains and losses and any income or loss not derived from debt securities.

Credit Spread History

Merrill Lynch US High Yield Master Index Less 10 year Treasury Yield



Source: Merrill Lynch high yield

The Company believes that investors seeking income should be buying shorter term corporate bonds with higher yields, where an investor is being compensated for the risk.

At March 31, 2011, the yield on the Company's portfolio of 7.66% is attractive relative to the Merrill Lynch U.S. Corporate & Government Master Index ("ML Master Index") yield of 2.75%. The reason the yield on the Company's portfolio is much higher than the ML Master Index is that the Company has invested predominantly in corporate bond securities that are rated below investment grade. Though the investments may be rated below investment grade, the Company focuses on investing in debt instruments of businesses with strong management teams, tangible assets, strong cash flows and reasonable leverage, with restrictive covenants protecting our interests.

In addition, at March 31, 2011, the bonds in the Company's portfolio have an average maturity of approximately 5.5 years, compared to the ML Master Index, which has an average maturity of 7.6 years. Bonds rated below investment grade typically have shorter maturity schedules than the more traditional investment grade corporate bonds and government bonds, which make up the ML Master Index. The Company believes a shorter maturity schedule will mean the Company's portfolio will be less affected in a rising interest rate environment.

Detail of Net Asset Value:

The net asset value of the Company at March 31, 2011 was \$147,049,463, or \$13.96 per Share, which consisted of the following components:

	\$	Per Share (1)	%
Investments (2)	136,739,490	\$12.98	93.0
Loss on forward contracts (3)	(24,857)	(0.00)	(0.0)
Cash and cash equivalents	1,769,764	0.17	1.2
Accrued Income	2,853,402	0.27	1.9
Future Income tax asset (4)	6,280,000	0.59	4.3
Accrued liabilities net of prepaids	(568,336)	(0.05)	(0.4)
	<u>147,049,463</u>	<u>\$13.96</u>	<u>100.0</u>

Notes

(1) Based on 10,537,262 Shares, being the total number of voting and non-voting common shares outstanding during the period.

(2) Details of the investments held at March 31, 2011 are included in the Summary of Investment Portfolio below.

(3) Represents the mark-to-market gain (loss) on forward foreign currency contracts at March 31, 2011. The Company has hedged substantially all foreign denominated investments back to the Canadian Dollar.

(4) The Company had approximately \$44,300,000 of losses and deductions available to be applied against future years' income tax returns. The Company's policy is to recognize a future tax asset to the extent that it believes that it is more likely than not that the future tax asset will be realized. The Company will continue to review these estimates on a periodic basis and will amend the asset value accordingly, if deemed appropriate.

About Deans Knight Income Corporation

Deans Knight Income Corporation is an investment company focused on investing in corporate debt securities, predominantly rated below investment grade. The Company's objective is to maximize the total return for shareholders, consisting of bond price appreciation and income received from bond investments. The Company intends to pay a monthly dividend to shareholders, based on earned income each month. The capital of the Company is actively managed by Deans Knight Capital Management, a respected investment firm based in Vancouver B.C. that has been investing in corporate bonds since its inception in 1992. For more information: www.dkincomecorp.com.

As an investment company, Deans Knight Income Corporation falls under the continuous disclosure requirements for investment funds. In compliance with such continuous disclosure requirements, the Company will provide shareholders with financial statements on a semi-annual basis. In an effort to keep

shareholders informed, the Company intends to provide shareholders with an operational update each quarter, detailing relevant investment activity and holdings.

Forward-Looking Statements

This press release contains forward-looking statements. More particularly, this press release contains forward-looking statements concerning the Company's corporate objectives, availability of tax losses and deductions, the Company's expectations concerning market trends, the Company's intention to pay out earned income in the form of monthly dividends, the anticipated performance and characteristics of Deans Knight's portfolio companies, the intention to maintain a short term maturity and the yield on the Shares. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them because the Company can give no assurance that they will prove to be correct since forward-looking statements address future events and conditions and by their very nature, involve inherent risks and uncertainties. The forward-looking statements contained in this press release are made as of the date hereof and the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. For further information contact:

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Summary of Investment Portfolio

The following is a summary of the Company's investment portfolio as at March 31, 2011. This is a summary only and will change due to ongoing portfolio transactions of the Company. Additional information is available at www.dkincomecorp.com.

Top 25 Investments				% of Net Asset Value	Portfolio Composition		% of Net Asset Value
Paramount Resources Ltd.	8.250%	13-Dec-17		6.5	Equity		5.8
North American Energy	9.125%	7-Apr-17		6.3	Fixed Income		
Stone Energy Corp.	8.625%	1-Feb-17		5.9	Canadian denominated in CAD		36.0
Whitecap Resources Inc.	N/A	N/A		5.8	Canadian denominated in USD		23.8
CCS Inc.	11.000%	15-Nov-15		5.2	United States denominated in USD		20.2
Calfrac Holdings LP	7.500%	1-Dec-20		4.1			80.0
Southern Pacific Resource Corp.	10.750%	7-Jan-16		4.0	Convertible Debentures		
Harvest Energy, Inc.	7.250%	30-Sep-13		3.8	Canadian denominated in CAD		3.8
Trinidad Drilling Ltd.	7.875%	15-Jan-19		3.7	Other Foreign denominated in AUD		2.6
Perpetual Energy Inc.	8.750%	15-Mar-18		3.4	Investment Portfolio		92.1
Skylink Aviation Inc.	12.250%	15-Mar-16		3.2	Cash & Short-term Deposits		1.2
Cott Beverages Inc.	8.375%	15-Nov-17		3.1	Other Net Assets		6.7
National Money Mart Company	10.375%	15-Dec-16		2.9			100.0
Tembec Industries Inc.	11.250%	15-Dec-18		2.8	Sector Breakdown		
Cara Operations Ltd.	9.125%	1-Dec-15		2.7	Energy		61.4
Sherritt International Corp.	7.750%	15-Oct-15		2.6	Consumer Discretionary		9.5
Vermilion Energy Inc.	6.500%	10-Feb-16		2.4	Services		6.8
Newalta Corp.	7.625%	23-Nov-17		2.3	Materials & Metals		5.1
Beazer Homes USA, Inc.	9.125%	15-Jun-18		2.2	Forestry		4.2
Forbes Energy Services Ltd.	11.000%	15-Feb-15		2.1	Financial Services		2.9
Gateway Casinos & Entertainment Inc.	8.875%	15-Nov-17		2.0	Industrial/Manufacturing		2.2
Pacific Rubiales Energy	8.750%	10-Nov-16		1.9	Investment Portfolio		92.1
Garda World Security Corp.	9.750%	15-Mar-17		1.8	Cash & Short-term Deposits		1.2
Harvest Operations Corp.	6.875%	1-Oct-17		1.7	Other Net Assets		6.7
Sure Energy Inc.	6.250%	21-Jan-14		1.7			100.0