

For Immediate Release, November 4, 2011

Deans Knight Income Corporation

Announces Third 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 for the nine months ended September 30, 2011.

Highlights:

- At September 30, 2011, the net asset value (“NAV”) of the Company was \$12.71 per Share.
- Net earnings¹ for the nine months ended September 30, 2011 were \$6.31million, or \$0.5988 per Share.
- The Company paid dividends of \$0.5247 per share on all of its outstanding voting and non-voting common shares (collectively, the “Shares”) for the nine months ended September 30, 2011, which equated to 88% of net earnings.

Corporate:

During the nine months ended September 30, 2011, the Company generated net earnings of \$6.31 million. In addition to net earnings, the Company also generated \$2.91 million of gains on disposition in the nine month period, from the sale of certain holdings and settlement of foreign currency contracts. The Company paid out \$5.53 million in dividends, equalling \$0.0583 per Share each month, or \$0.5247 per Share, for the nine months ended September 30, 2011. This represented approximately 88% of net earnings.

Based on the Company’s investments at September 30, 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 fourth quarter of 2011.

Investments:

At September 30, 2011, major North American indices were down year to date². Like the equity markets, high yield bonds have also declined with the Merrill Lynch High Yield Index total return down 1.7% year to date.

We do not need to dwell on the reason for the decline in bond prices. We outlined them clearly in our June 30, 2011 Interim Management Report of Fund Performance (“Interim MRFP”): “growing concern

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.

² S&P/TSX Composite Index was -11.9%, the S&P 500 was -8.9% and the Dow Jones Industrial Average was -3.9%.

that the U.S. economic recovery is slowing . . . that China’s growth is slowing . . . and that Greece’s debt woes will wreak havoc in the European banks.” Nothing much has changed. That’s the problem. More worry about the same issues, but no leadership to clarify these issues and lead us to solutions. The problems the world faces are big ones and they are complex. But they are not intractable. True leadership entails taking complex issues and distilling them to simple issues upon which action can be taken. Leadership is lacking.

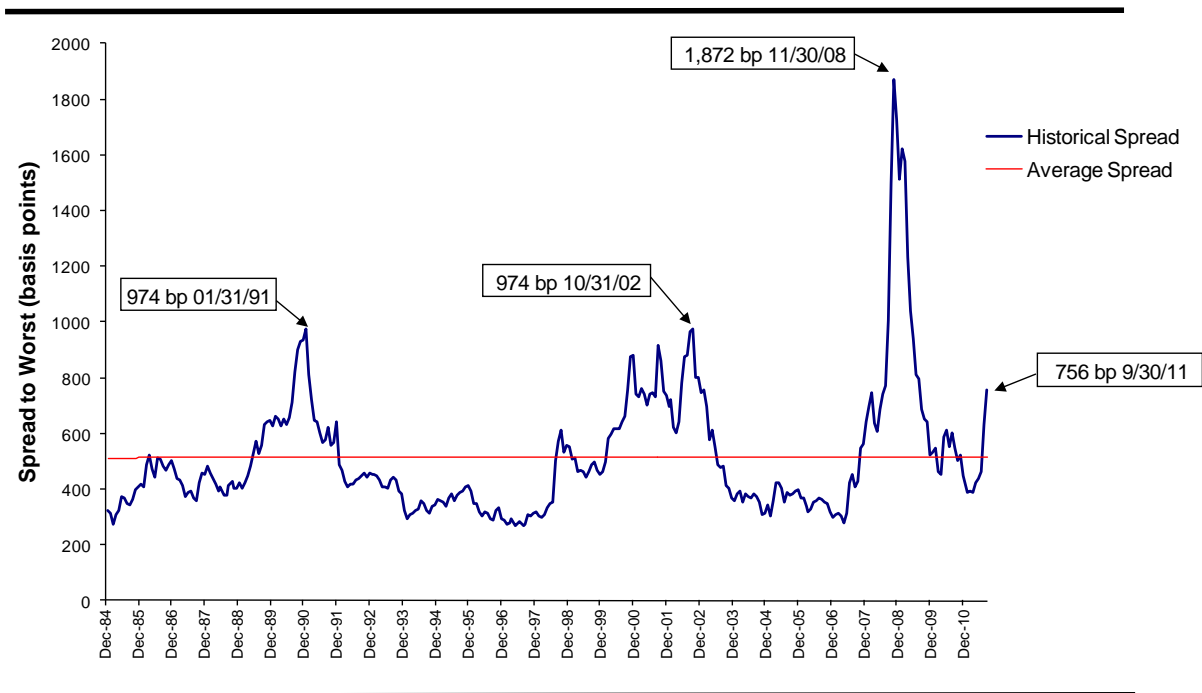
The good news . . . the mood at September 30, 2011 was pessimistic, even more so than it was when we outlined the bearish sentiment in our Interim MRFP. The wise writer Robert Heinlein once wrote . . . “does history record any case in which the majority was right?”

Yes, the U.S. economy and the global economy, are struggling to regain traction after the deep recession in 2008/09. That recession was caused by the massive U.S. housing boom (or bubble) that popped and brought the banking system to its knees. Today, that part of the U.S. economy which is not dependent on the housing industry is doing well.

The businesses that we own the debt of are in good shape. In many cases they are in better shape than they were two years ago. But that doesn’t seem to matter right now. The investors who were seeking yield over the past two years are now panicking and want out. We have seen this movie before. Investors redeem higher yielding mutual funds creating forced selling while bidding up government and investment grade bonds in a “Flight to Quality”. The result is widening spreads, which creates opportunity for rational investors. As you will see from the graph below, spreads were above the long term average on September 30, 2011.

Credit Spread History

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



Source: Merrill Lynch high yield

High yield bond prices have improved, as evidenced by the ML USD High Yield Index which is up 6.0% in the period from September 30 to October 31, 2011. Will high yield bond prices continue to rise or will there be another sell off driving prices down? The honest answer is we don't know. What we do know is as a bondholder, the most important consideration is the Borrowers' ability to meet its coupon payments and pay us back our principal at maturity. A secondary consideration is whether or not we are being compensated for the risk that they fail to meet these obligations. We own corporate debt of businesses with tangible assets as collateral, strong cash flows and reasonable leverage. There are currently no defaults in our portfolio and all of our holdings are servicing their debt while, in most cases, continuing to reduce leverage. Although bonds could get cheaper, the Company believes current prices offer investors attractive returns; especially given their position on the capital structure.

At September 30, 2011, the Company is paying a monthly dividend equal to \$0.70 per share per annum, or 5.5% of net asset value. Further, the investment portfolio provides a yield to maturity of 9.3%. We believe this offers a strong incentive for investors to move out of treasury securities, currently yielding 1.1%³, and into higher yielding corporate bonds.

In addition to corporate bonds, we will also opportunistically invest in private debt financings with equity incentives that provide equity-like returns.

During the quarter, Deans Knight Capital Management designed and the Company participated in an \$18 million Secured Subordinate Revenue Note with RapidEye Canada Ltd. (5.5% of the portfolio). The proceeds from the financing were used to acquire the assets of RapidEye AG, a global provider of high-resolution imagery and geospatial solutions, out of bankruptcy. Following the transaction, RapidEye Canada became an affiliate of Iunctus Geomatics Corp., the leading supplier of optical satellite imagery in Canada. The acquisition combines one of the world's largest commercial archives of satellite imagery with Iunctus' already extensive distribution channels for satellite data and value-added solutions.

RapidEye Canada effectively owns five earth observation satellites with the technology to process high-resolution, large image data on a daily basis. These data images cater to government and commercial clients ranging in applications from agriculture and energy to infrastructure and security.

The Notes have a 3-year maturity with a coupon of 5% and are secured by the assets of RapidEye Canada with a guarantee from Iunctus. In addition to the coupon, Noteholders will receive a royalty on net revenue for a period of 10-years. Full details of the royalty cannot be publicly disclosed at the request of RapidEye Canada.

Detail of Net Asset Value:

The net asset value of the Company at September 30, 2011 was \$133,884,736, or \$12.71 per Share, which consisted of the following components:

³ Merrill Lynch U.S. Treasury Master Index

	\$	Per Share (1)	%
Investments (2)	128,053,510	12.15	95.7%
Loss on forward contracts (3)	(2,504,920)	-0.24	-1.9%
Cash and cash equivalents	572,057	0.06	0.5%
Accrued Income	2,878,379	0.27	2.1%
Future Income Tax Asset (4)	5,410,000	0.52	4.0%
Accrued Liabilities net of prepaids	(524,290)	-0.05	-0.4%
	133,884,736	12.71	100.0%

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 September 30, 2011 are included in the Summary of Investment Portfolio below.

(3) Represents the mark-to-market gain (loss) on forward foreign currency contracts at September 30, 2011. The Company has hedged substantially all foreign denominated investments back to the Canadian Dollar.

(4) The Company has approximately \$37,300,000 of 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 will 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, redemption of certain bonds held by the Company, the anticipated total return to the Company's shareholders and the Company's intention to pay out earned income in the form of monthly dividends. 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.

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Summary of Investment Portfolio

The following is a summary of the Company's investment portfolio as at September 30, 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	8.250%	13-Dec-17	6.9		
STONE ENERGY CORP	8.625%	1-Feb-17	6.4	Equity and Warrants	5.4
NORTH AMERICA ENERGY	9.125%	7-Apr-17	6.1		
CCS INC	11.0%	15-Nov-15	5.5	Fixed Income	
RAPID EYE CANADA	5.000%	26-Aug-14	5.5	Canadian denominated in CAD	43.1
WHITECAP RESOURCES	N/A	N/A	5.3	Canadian denominated in USD	25.5
MIRABELA NICKEL LTD	8.750%	15-Apr-18	4.6	United States denominated in USD	18.2
SOUTHERN PACIFIC RES	10.750%	7-Jan-16	4.5		86.8
CALFRAC HOLDINGS LP	7.500%	1-Dec-20	4.3	Convertible Debentures	
PERPETUAL ENERGY INC	8.750%	15-Mar-18	3.6	Canadian denominated in CAD	2.4
MERCATOR MINERALS	6.500%	3-Jan-13	3.4	Other Foreign denominated in AUD	1.1
SKYLINK AVIATION INC	12.250%	15-Mar-16	3.3		3.5
COTT BEVERAGES INC	8.375%	15-Nov-17	3.0	Investment Portfolio	95.7
NATIONAL MONEY MART	10.375%	15-Dec-16	3.0	Cash & Short-term Deposits	0.5
TRINIDAD DRILLING	7.875%	15-Jan-19	2.7	Other Net Assets	3.8
TEMBEC INDUSTRIES	11.250%	15-Dec-18	2.7		100.0
CARA OPERATIONS LTD	9.125%	1-Dec-15	2.6		
HARVEST ENERGY	7.250%	30-Sep-13	2.4	Sector Breakdown	
GATEWAY CASINOS	8.875%	15-Nov-17	2.1	Energy	55.8
BLACK PRESS GROUP	10.000%	4-Feb-14	2.0	Materials & Metals	9.7
GARDA WORLD SECURITY	9.750%	15-Mar-17	1.9	Consumer Discretionary	9.6
SURE ENERGY	6.250%	21-Jan-14	1.9	Technology	5.5
PACIFIC RUBIALES	8.750%	10-Nov-16	1.7	Services	4.5
MCMORAN EXPLORATION	11.875%	15-Nov-14	1.6	Forestry	4.0
BEAZER HOMES USA	9.125%	15-Jun-18	1.6	Industrial/Manufacturing	3.6
ABI ESCROW CORP	10.250%	15-Oct-18	1.3	Financial Services	3.0
				Investment Portfolio	95.7
				Cash & Short-term Deposits	0.5
				Other Net Assets	3.8
					100.0