

For Immediate Release, November 3, 2009

Deans Knight Income Corporation

Announces Third Quarter 2009 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, 2009.

Highlights:

- Net earnings¹ for the nine months ended September 30, 2009 were \$2.7 million, or \$0.2584 per Share.
- The Company paid dividends of \$0.2332 per share on all of its outstanding voting and non-voting common shares (collectively, the “Shares”) for the nine months ended September 30, 2009, which equated to 90% of net earnings.
- At September 30, 2009 the Company was fully invested and the net asset value (“NAV”) was \$11.88 per Share.

Corporate:

Following its initial public offering (“IPO”) in March 2009, where the Company raised approximately \$100.4 million of capital (\$94.1 million net of offering costs), management has worked diligently to invest the capital in corporate debt securities, predominantly rated below investment grade. As of September 30, 2009, the Company was fully invested.

During the nine months ended September 30, 2009, the Company generated net earnings of \$2.7 million. In addition to net earnings, the Company also generated \$1.0 million of realized capital gains to September 30, 2009 from the sale of certain holdings. The Company paid out \$2.5 million in dividends (\$0.2332 per Share) which represents approximately 90% of net earnings.

Based on the Company’s investments at September 30, 2009, the Company anticipates that it will be able to generate enough income from its bond investments to pay the monthly dividends of \$0.0583 per Share for the remainder of 2009.

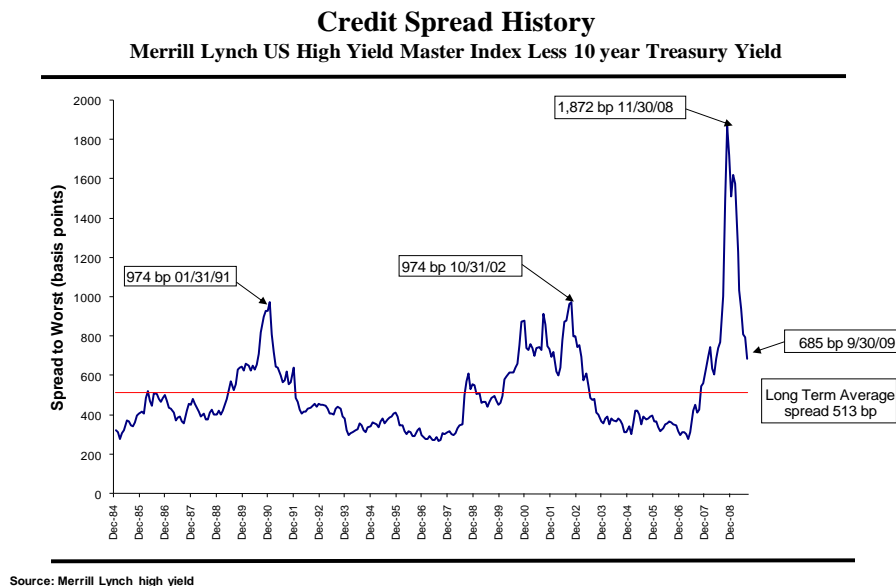
Investments:

The financial system is showing signs of life, as certain investors are buying corporate bonds and equities again. In the past 6 months, the global high yield bond market has issued more than \$100 billion of bonds, almost double what was issued in 2008. This renewed interest in higher yielding debt has continued to push bond prices higher. This has resulted in the Company enjoying a significant rise in its

¹ The Company calculate 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.

net asset value, which as at September 30, 2009 is \$11.88 per Share, a 19% increase from the IPO price of \$10 per share.

Despite the recent rise in bond prices, with 5-year Canadian government bonds at 2.5% and Canadian investment grade bonds averaging a 4.0% yield, we feel our strategy, currently offering a dividend yield of 6.5%², is the best option for investors to earn a high level of income. The graph below shows credit spreads between high yield bonds and government bonds which have narrowed significantly from the record levels of late last year; however, high yield bonds are still 33% higher than the 25 year average.



As yields on publicly traded debt securities come down, we are investing in private debt financings, such as bridge, mezzanine and short-term secured loans offering high coupons and equity incentives to enhance returns. These financings are typically short term, high coupon, in some cases fully secured and, most importantly, provide capital growth through “equity kickers” in the form of warrants or convertible debt.

During the third quarter, we participated in a \$10 million subordinated secured convertible debenture issued by Whitecap Resources Inc., a private oil and gas producer. Proceeds from these debentures, along with an equity issue and bank debt, were used to acquire a 50% stake in a Montney oil and gas asset in Alberta. The assets acquired are currently producing 900 boe/d of production (50% oil) and have a long reserve life of approximately 15 years with the potential to significantly increase reserves using waterflood development. Whitecap has a proven management team with a history of creating value for its shareholders through exploration, development and acquisitions. The Company purchased \$7.5 million of the debentures (other Deans Knight Capital Management clients invested the remaining \$2.5 million) which have a coupon of 8%, mature on September 30, 2012 and have a conversion price of \$2.40, a 20% premium to their concurrent equity raise.

² Using the September 30, 2009 closing price for the Company of \$10.70.

Moreover, as a result of recent corporate transactions, we anticipate we may have up to three of our bond positions called within the next three to six months. These positions are Athabasca Oil Sands Corp. (7.2% of NAV), Dollarama Inc. (3.9% of NAV), and Harvest Energy Trust (8.9% of NAV).

Athabasca Oil Sands Corp., an oil sands developer in Alberta, announced in late August that they had entered into a joint venture agreement with PetroChina on two of its properties. Upon approval of this transaction by shareholders and the Canadian Government (expected in early November), PetroChina has agreed to pay \$1.9 billion USD to Athabasca for their interest in the joint venture. According to the Information Circular dated October 12, 2009, upon closing of the transaction Athabasca intends to replace the current debt outstanding with a new credit facility to be provided by PetroChina. The outstanding Athabasca bonds will be called at a price \$107 as per the trust indenture.

On October 16, 2009, Dollarama Inc. closed its initial public offering, raising gross proceeds of \$300 million. Subsequently, Dollarama announced the redemption of the 8 7/8% senior subordinated notes, originally due 2012, via their call option at a price of \$104.438. These bonds will be redeemed on November 17, 2009.

On October 21, 2009, Harvest Energy Trust entered into an agreement with Korea National Oil Corporation to sell all of its issued and outstanding trust units at a price of \$10 per unit for total cash consideration of \$1.8 billion plus the assumption of \$2.3 billion of debt. In accordance with the terms of the indentures governing Harvest's senior notes and convertible debentures, Korea National Oil Corporation will offer to pay \$101 for all outstanding Notes and debentures, plus accrued and unpaid interest, within 30 days following the effective date of the Arrangement.

The bonds for each of these companies are now trading just below their respective call price. If and when all of the above bonds are called, the Company will then decide how best to deploy that capital for shareholders.

Detail of Net Asset Value:

The net asset value of the Company at September 30, 2009 was \$125,199,756, or \$11.88 per Share, which consisted of the following components:

	\$	Per Share (1)	%
Investments (2)	109,316,906	\$10.37	87.3%
Gain/(loss) on forward contracts (3)	411,581	\$0.04	0.3%
Cash and cash equivalents	4,920,743	\$0.47	3.9%
Accrued Income	2,465,876	\$0.23	2.0%
Future Income tax asset (4)	8,460,000	\$0.80	6.7%
Accrued liabilities net of prepaids	(375,352)	\$(0.03)	-0.2%
	\$125,199,756	\$11.88	100%

Notes

- (1) Based on 10,537,262 Shares, being the number of outstanding Shares after giving effect to the IPO, the share consolidation and conversion of the Company's previously outstanding convertible debenture.
- (2) Details of the investments held at September 30, 2009 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, 2009. The Company has hedged substantially all foreign denominated investments back to the Canadian Dollar.
- (4) The Company had approximately \$90,000,000 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. As of September 30, 2009, the Company has recognized a tax asset in the amount of \$8,460,000. 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.

For further information contact:

Craig Langdon
Chief Executive Officer and Director
Deans Knight Income Corporation
(604)669-0212

Mark Myles
Chief Financial Officer
Deans Knight Income Corporation
(604)669-0212

Deans Knight Income Corporation
Summary of Investment Portfolio
As at September 30, 2009

Top 25 Investments			% of Net Asset Value
Pacific Rubiales Energy	8.0%	Aug 29 2013	7.2
Athabasca Oil Sands	13.0%	July 30 2011	6.6
Whitecap Resources	8.0%	Sep 30 2012	6.0
Cott Beverages USA	8.0%	Dec 15 2011	5.8
Paramount Resources	8.5%	Jan 31 2013	5.6
Teck Resources Ltd	10.8%	May 15 2019	5.5
Bombardier Inc	8.0%	Nov 15 2014	4.6
Harvest Operations	7.9%	Oct 15 2011	4.6
CCS Inc	11.0%	Nov 15 2015	4.4
Chesapeake Energy	7.5%	Sep 15 2013	3.8
Dollarama Group Lp	8.9%	Aug 15 2012	3.6
Harvest Energy	7.3%	Sep 30 2013	3.6
Trinidad Drilling	7.8%	Jul 31 2012	3.6
Calfrac Holdings Lp	7.8%	Feb 15 2015	3.4
Methanex Corp	8.8%	Aug 15 2012	3.3
Sherritt Intl Corp	7.8%	Oct 15 2015	2.8
Provident Energy Trust	6.5%	Apr 30 2011	2.4
Western Areas NI	8.0%	July 2 2012	2.4
Gibson Energy Ulc	11.8%	May 27 2014	1.8
FMG Financial PTY Ltd	10.6%	Sep 01 2016	1.7
Opti Cda Inc	7.9%	Dec 15 2014	1.3
Sherritt Intl Corp	7.9%	Nov 26 2012	1.0
West Fraser Timber	5.2%	Oct 15 2014	0.9
CGA Mining Ltd.	12.0%	Nov 22 2012	0.8
Methanex Corp	6.0%	Aug 15 2015	0.7

Portfolio Composition	% of Net Asset Value
Fixed Income	
Canadian denominated in CAD	10.4
Canadian denominated in USD	37.1
United States denominated in USD	13.1
Other Foreign denominated in USD	1.7
Other Foreign denominated in AUD	2.4
	<u>64.6</u>
Convertible Debentures	
Canadian denominated in CAD	22.7
	<u>22.7</u>
Investment Portfolio	87.3
Cash & Short-Term Deposits	3.9
Other Assets less Liabilities	8.8
	<u>100.0</u>
Sector Breakdown	
Energy	54.2
Materials & Metals	17.3
Consumer Goods	5.8
Industrial/Manufacturing	4.6
Retail	3.6
Forestry	0.9
Precious Metals	0.8
	<u>87.3</u>
Investment Portfolio	87.3
Cash & Short-Term Deposits	3.9
Other Assets less Liabilities	8.8
	<u>100.0</u>