DEANS KNIGHT
INCOME CORPORATION

Press Release

For Immediate Release, November 7, 2012.

Deans Knight Income Corporation

Announces Third Quarter 2012 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, 2012.

Highlights:

- At September 30, 2012, the net asset value ("NAV") of the Company was $13.32 per Share.
- Net investment income[1] for the nine months ended September 30, 2012 was $6.47million, or $0.6144 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, 2012, which equated to 85% of net investment income.

Corporate:

During the nine months ended September 30, 2012, the Company generated net investment income of $6.47 million. In addition to net investment income, the Company also generated $3.21 million of realized capital gains 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, 2012. This represented approximately 85% of net investment income.

Based on the Company's investments at September 30, 2012, 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 2012.

Investments:

The high yield corporate bond market has been volatile over the last five years. Depending on which way that volatility is moving, the media jumps on the story and bombards investors with news exacerbating the trend. Twelve months ago, the tone was decidedly bearish with growing concerns that the U.S. economic recovery was slowing…that China's growth was slowing…and that Greek debt woes would wreak havoc with the Euro and European banks. Last year's worries caused investors to redeem high yield bond mutual funds in the third quarter of 2011, creating forced selling while bidding up government

[1] The Company calculates net investment income 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.

and investment grade bonds in a "Flight to Quality", which is the exact opposite of what investors should have been doing.

The reality is, the concerns mentioned above are the same concerns the average investor has today. Twelve months ago, Deans Knight, the investment manager who actively manages the Company's Portfolio, didn't know what was going to happen to high yield bond prices or what the catalyst to reverse the downward trend was going to be. What they did know, through experience, is as fast as prices fall, they can rise. The catalysts that reversed the trend were investors need for yield and the fact that businesses, despite the negative news, were actually improving.

So what does this mean going forward? Although one can't predict with certainty, bond portfolio returns are far more predictable than stock returns. Over the long run, the rate of return from investing in bonds should be its current yield to maturity. With government bond yields under 2%, deficits continuing to grow and too little tax revenue/income to support the debt, we believe our income strategy of investing in high yield corporate debt is a better alternative. Companies, in general, are actually doing relatively well. Good management teams are using improving cash flows to de-lever their balance sheets putting them in a better position than they were five years ago.

As Deans Knight has stated numerous times, for a debtholder in a corporation the most important consideration is the borrower's ability to meet its coupon payments and pay back the principal at maturity. Investors cannot predict short term prices. The only thing investors can control is the companies they choose to invest in and whether or not they are compensated for the risk that the borrower fails to meet its obligations. The Company's Portfolio, as of September 30th, is yielding 8%, which is attractive versus U.S. and Canadian government bonds providing yields of only 1 – 2%.

Over the long term, the Company will look to provide additional value by identifying mispriced high yield bonds and participating in private debt financings with equity kickers.

The Company's investment in Paramount Resources is an example of mispriced debt. Paramount is an oil and gas producer, predominantly natural gas, with assets in Alberta, Northwest Territories, and North Dakota. In addition to its producing assets, Paramount has a number of investments in other oil and gas companies (all of these companies were previously assets within Paramount that were spun out to form new companies). The ratings agencies have consistently rated Paramount's debt lower than Deans Knight believes is appropriate, as the agencies focus on production numbers and do not properly value Paramount's extensive land position or their investments in other oil and gas companies. Looking beyond the "metrics", there was substantial asset coverage versus the level of debt outstanding. Thanks to the low rating, Paramount refinanced debt in 2010 at 8.25%, an attractive coupon given the assets, cash flows and management team backing our investment.

The Company did not invest in any new private debt financings during the third quarter. However, one was repaid. In August 2011, the Company participated in an $18 million CAD Secured Subordinate Revenue Note with RapidEye Canada Ltd. ($7.3 million initial investment for the Company's Portfolio). The proceeds from the financing were used to acquire assets from the bankruptcy of RapidEye AG, a global provider of high-resolution imagery and geospatial solutions.

At time of purchase, Deans Knight believed RapidEye Canada could generate EBITDA margins of 25% on annual revenues of €13 million and could improve revenues and margins over time as new management re-focused the business plan. Management exceeded expectations, as they are on pace to reach revenues of at least €20 million this year and have improved EBITDA margins to 40 – 50%. As a result of this quick turnaround, Rapid Eye was able to repay our notes with cash and a new debt facility.

The note had a 3-year maturity with a coupon of 5% and was secured by the assets of RapidEye. In addition to the coupon, noteholders were compensated by a royalty on net revenue, which declined as debt was reduced. To September 30, 2012, the Company earned interest and royalties of approximately $1.25 million CAD, providing a 17% income return on our initial investment. In addition, although the note has been repaid, noteholders will continue to receive a royalty of 2.75% on RapidEye's net revenue for the next 9 years.

Details of Net Asset Value:

The net asset value of the Company at September 30, 2012 was $140,354,366, or $13.32 per Share, which consisted of the following components:

	$	**Per Share [1]**	**%**
Investments [2]	123,443,730	11.71	88.0%
Gain on forward contracts [3]	472,806	0.04	0.3%
Cash and cash equivalents	10,585,595	1.00	7.5%
Accrued Income	2,682,151	0.25	1.9%
Future Income Tax Asset [4]	3,760,000	0.36	2.7%
Accrued Liabilities net of prepaids	(589,917)	-0.04	-0.4%
	143,801,922	13.32	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, 2012 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, 2012. The Company has hedged substantially all foreign denominated investments back to the Canadian Dollar.

(4) The Company has approximately $31,600,000 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, 2012. 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
PARAMOUNT RESOURCES	8.250%	13-Dec-17	6.9
STONE ENERGY CORP	8.625%	1-Feb-17	6.6
NORTH AMERICA ENERGY	9.125%	7-Apr-17	5.4
WHITECAP RESOURCES	N/A	N/A	5.3
MIRABELA NICKEL LTD	8.750%	15-Apr-18	5.2
CCS INC	11.000%	15-Nov-15	5.1
CALFRAC HOLDINGS LP	7.500%	1-Dec-20	4.2
SOUTHERN PACIFIC RES	10.750%	1-Jan-16	4.1
TEMBEC INDUSTRIES	11.250%	15-Dec-18	3.7
PERPETUAL ENERGY INC	8.750%	15-Mar-18	3.3
MERCATOR MINERALS	8.000%	3-Jan-13	3.2
NORTHLAND RESOURCES	13.000%	6-Mar-17	3.1
PETROAMERICA OIL	11.500%	31-Mar-20	2.8
SHERRITT INTL CORP	8.000%	15-Nov-18	2.8
CARA OPERATIONS LTD	9.125%	1-Dec-15	2.6
GARDA WORLD SECURITY	9.750%	15-Mar-17	2.4
BEAZER HOMES USA	9.125%	15-Jun-18	2.3
CONIFEX TIMBER INC	12.000%	31-Dec-12	2.1
GATEWAY CASINOS	8.875%	15-Nov-17	2.1
BLACK PRESS GROUP	10.000%	4-Feb-14	2.0
PACIFIC RUBIALES	7.250%	12-Dec-21	1.9
SURE ENERGY	6.250%	21-Jan-14	1.8
WESTERN ENERGY SVS	7.785%	30-Jan-19	1.7
MCMORAN EXPLORATION	11.875%	15-Nov-14	1.5
NUMBER MERGER SUB	11.000%	15-Dec-19	1.5

Portfolio Composition	% of Net Asset Value
Fixed Income	
Canadian denominated in CAD	41.5
Canadian denominated in USD	20.0
United States denominated in USD	17.1
Other Foreign denominated in USD	3.1
Other Foreign denominated in EUR	0.7
	82.4
Convertible Debentures	
Other Foreign denominated in AUD	-
	82.4
Equity and Warrants	5.5
Investment Portfolio	87.9
Cash & Short-term Deposits	7.5
Other Net Assets	4.6
	100.0
Sector Breakdown	
Energy	50.7
Materials & Metals	16.0
Consumer Discretionary	8.5
Forestry	7.0
Industrial/Manufacturing	4.2
Technology	0.7
Services	0.8
Financial Services	-
Investment Portfolio	87.9
Cash & Short-term Deposits	7.5
Other Net Assets	4.6
	100.0