



The Keg Royalties Income Fund Posts Second Quarter Results

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Vancouver, August 6, 2010 – The Keg Royalties Income Fund (the “Fund”) has reported its financial results for the three and six months ended June 30, 2010.

Gross sales reported by Keg restaurants in the Royalty Pool increased by \$3,329,000 or 3.1% to \$111,153,000 during the comparable quarter. The year to date sales decreased slightly to \$228,106,000, which was \$575,000 or 0.3% below the comparable period of the prior year. The gross sales include the sales of new Keg restaurants which were added to the Royalty Pool on January 1, 2010, net of same store sales decreases for the respective periods.

KRL’s same store sales (sales of restaurants that operated during the entire period of both the current and prior years) increased by 1.9% in Canada and decreased by 6.4% in the United States for the 13-week period ended July 4, 2010. Year to date, same store sales decreased by 1.0% in Canada and by 10.0% in the United States. After translating the sales of the U.S. restaurants into their Canadian dollar equivalent, consolidated same store sales decreased by 0.1% for the 13-week period and by 3.6% for the 26-week period. The average exchange rate declined materially in both the quarter and on a year to date basis, significantly reducing the Canadian dollar equivalent of the U.S. restaurant sales.

“We are encouraged by our results for the quarter, and are particularly pleased with our relative same store sales growth in Canada, which accounts for approximately ninety percent of our sales mix,” said David Aisenstat, President & CEO of The Keg. “We expect to see sales continue this momentum as economic conditions improve.”

Royalty income increased by \$84,000 or 1.9% to \$4,502,000 for the quarter but decreased by \$114,000 or 1.2% to \$9,198,000 year to date.

Earnings before income taxes for the quarter increased by \$224,000 from \$2,987,000 (30.8 cents/Fund unit) to \$3,211,000 (30.5 cents/Fund unit) during the comparable quarter. Year to date, earnings before income taxes increased by \$83,000 from \$6,302,000 (64.9 cents/Fund unit) to \$6,385,000 (63.1 cents/Fund unit) for the comparable period. Distributable cash available to pay distributions to public Unitholders increased by \$46,000 from \$3,069,000 (31.6 cents/Fund unit), to \$3,115,000 (29.6 cents/Fund unit) for the comparable quarter. Year to date, distributable cash increased by \$40,000 from \$6,328,000 (65.2 cents/Fund unit), to \$6,368,000 (62.9 cents/Fund unit) for the comparable period.

FINANCIAL HIGHLIGHTS

| | Apr. 1 to Jun. 30, 2010 | Apr. 1 to Jun. 30, 2009 | Jan. 1 to Jun. 30, 2010 | Jan. 1 to Jun. 30, 2009 |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| (\$000's except per unit amounts) | | | | |
| Restaurants in the Royalty Pool | 102 | 102 | 102 | 102 |
| Gross sales reported by Keg restaurants in the Royalty Pool | | | | |
| | <u>\$ 111,153</u> | <u>\$ 107,824</u> | <u>\$ 228,106</u> | <u>\$ 228,681</u> |
| Royalty income | \$ 4,502 | \$ 4,418 | \$ 9,198 | \$ 9,312 |
| Partnership expenses | (107) | (108) | (206) | (196) |
| Partnership earnings | 4,395 | 4,310 | 8,992 | 9,116 |
| KRL's interest | (2,098) | (2,288) | (4,428) | (4,713) |
| Equity income | 2,297 | 2,022 | 4,564 | 4,403 |
| Interest income | 1,066 | 1,067 | 2,121 | 2,125 |
| Total income | 3,363 | 3,089 | 6,685 | 6,528 |
| Interest and financing expenses | (152) | (102) | (300) | (226) |
| Earnings before income taxes | <u>\$ 3,211</u> | <u>\$ 2,987</u> | <u>\$ 6,385</u> | <u>\$ 6,302</u> |
| Net earnings⁽¹⁾ | <u>\$ 3,186</u> | <u>\$ 2,937</u> | <u>\$ 6,460</u> | <u>\$ 6,402</u> |
| Distributable cash | <u>\$ 3,115</u> | <u>\$ 3,069</u> | <u>\$ 6,368</u> | <u>\$ 6,328</u> |
| Distributions paid | <u>\$ 3,388</u> | <u>\$ 3,100</u> | <u>\$ 6,488</u> | <u>\$ 6,201</u> |
| Earnings before income taxes per Fund unit⁽²⁾ | <u>\$.305</u> | <u>\$.308</u> | <u>\$.631</u> | <u>\$.649</u> |
| Earnings per Fund unit⁽²⁾ | <u>\$.303</u> | <u>\$.303</u> | <u>\$.639</u> | <u>\$.660</u> |
| Distributable cash per Fund unit⁽²⁾ | <u>\$.296</u> | <u>\$.316</u> | <u>\$.629</u> | <u>\$.652</u> |
| Distributions paid per Fund unit⁽²⁾ | <u>\$.322</u> | <u>\$.320</u> | <u>\$.641</u> | <u>\$.639</u> |
| Payout Ratio | <u>108.8%</u> | <u>101.0%</u> | <u>101.9%</u> | <u>98.0%</u> |

⁽¹⁾ Net earnings for the three months ended June 30, 2009 reflect the non-cash future income tax expense of \$25,000 (three months ended June 30, 2009 - \$50,000) and net earnings for the six months ended June 30, 2010 reflect the non-cash future income tax recovery of \$75,000 (six months ended June 30, 2010 - \$100,000).

⁽²⁾ All per unit amounts are calculated based on the weighted average number of Fund units outstanding, which are those units held by public unitholders during the respective period. On April 9, 2010, KRL exchanged 900,000 Class B Partnership Units for an equal number of Fund units, and sold them through the facilities of the Toronto Stock Exchange. As a result, the total number of Fund units held by public unitholders increased to 10,603,500. The public's average effective ownership of the Fund (based on the weighted average number of Fund units held by public unitholders during the respective period) was 75.26% during the three months ended June 30, 2010 (three months ended June 30, 2009 - 71.21%) and 72.34% during the six months ended June 30, 2010 (six months ended June 30, 2009 - 71.21%). The weighted average number of Fund units outstanding for the three-month period ended June 30, 2010 was 10,524,379 (three-month period ended June 30, 2009 - 9,703,500) and for the six-month period ended June 30, 2010 was 10,116,207 (six-month period ended June 30, 2009 - 9,703,500).

A copy of the complete financial results will be available at www.sedar.com or on the Fund's website at www.kegincomefund.com.

The Fund (TSX – KEG.UN) is a limited purpose, open-ended trust established under the laws of the Province of Ontario that, through The Keg Rights Limited Partnership, owns certain trademarks and other related intellectual property used by Keg Restaurants Ltd. ("KRL"). In exchange for use of those trademarks, Keg Restaurants Ltd pays the Fund a royalty of 4% of gross sales of Keg restaurants included in the royalty pool. Vancouver-based Keg Restaurants Ltd. is the leading operator and franchisor of the steakhouse restaurants in Canada and has a substantial presence in select regional markets in the United States.

Keg Restaurants Ltd continues to operate The Keg restaurant system and expand that system through the addition of both corporate and franchised Keg steakhouses. Keg Restaurants Ltd. has been named one of the "50 Best Employers in Canada" for the past eight years by the Globe and Mail's *Report on Business Magazine*. For more information on our brand, visit www.kegsteakhouse.com

This press release may contain certain "forward looking" statements reflecting The Keg Royalties Income Fund's current expectations in the casual dining segment of the restaurant food industry. Investors are cautioned that all forward looking statements involve risks and uncertainties, including those relating to the Keg's ability to continue to realize historical same store sales growth, changes in market and existing competition, new competitive developments, and potential downturns in economic conditions generally. Additional information on these and other potential factors that could affect the Fund's financial results are detailed in documents filed from time to time with the provincial securities commissions in Canada.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy, which may be made only by means of the prospectus, nor shall there be any sale of the Fund units in any state, province or other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any state, province or jurisdiction. The Keg Royalties Income Fund units have not been, and will not be registered under the U.S. Securities Act of 1933, as amended and may not be offered or sold in the United States absent registration or an application for exemption from the registration requirement under U.S. securities laws.

The Trustees of the Fund have approved the contents of this press release.

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