The Keg Royalties Income Fund Announces 2013 Results

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Vancouver – February 25, 2014 – The Keg Royalties Income Fund (KEG.UN:TSX, the "Fund") is pleased to announce its financial results for the three and twelve months ended December 31, 2013.

The gross sales reported by the 102 Keg restaurants in the Royalty Pool were $120,093,000 for the quarter, a decrease of $2,299,000 or 1.9% from the comparable quarter of the prior year. For the year, gross sales were $474,864,000, a decrease of $9,704,000 or 2.0% over the prior year. These gross sales reflect the closure of four corporate restaurants in the current year, and a same store sales increase of 0.04% for the quarter and a same store sales decrease of 0.3% for the year.

The Keg's same store sales (sales of restaurants that operated during the entire period of both the current and prior years) decreased by 0.6% in Canada and increased by 0.3% in the United States ("U.S.") for the 13-week period ended December 29, 2013. For the 52-week period ended December 29, 2013, same store sales decreased by 0.8% in Canada and increased by 1.5% in the U.S. After translating the sales of the U.S. restaurants into their Canadian dollar equivalent, consolidated same store sales increased by 0.04% for the 13-week period and decreased by 0.3% for the 52-week period. The average exchange rate moved from 0.99 to 1.05 in the comparable 13-week period, significantly increasing the Canadian dollar equivalent of the U.S. restaurant sales, and from 1.00 to 1.03 in the comparable 52-week period, somewhat increasing the Canadian dollar equivalent of the U.S. restaurant sales.

Royalty income increased by $65,000 or 1.3% from $4,896,000 in the three months ended December 31, 2012 to $4,961,000 in the three months ended December 31, 2013. For the year ended December 31, 2013, royalty income increased by $95,000 or 0.5% from $19,401,000 to $19,496,000. Distributable cash before SIFT tax increased by $17,000 from $3,441,000 (30.3 cents/Fund unit) to $3,458,000 (30.5 cents/Fund unit) for the quarter, but decreased by $9,000 from $14,650,000 ($1.290/Fund unit) to $14,641,000 ($1.290/Fund unit) for the year. Distributable cash available to pay distributions to public unitholders decreased by $24,000 from $2,558,000 (22.5 cents/Fund unit) to $2,534,000 (22.3 cents/Fund unit) for the quarter and by $144,000 from $11,168,000 (98.4 cents/Fund unit) to $11,024,000 (97.1 cents/Fund unit) for the year. The decrease in distributable cash for both the quarter and the year was primarily due to the increase in the SIFT tax rate on April 1, 2013.

The Fund remains financially well-positioned with cash on hand of $798,000 and a positive working capital balance of $1,198,000 as at December 31, 2013. The Fund's payout ratio was 107.5% for the fourth quarter of 2013 and was 98.9% for the year.

"We are pleased that the Fund has had another strong year in 2013," said David Aisenstat, President and CEO of The Keg. "Our results are a clear indication that the Keg guests continue to enjoy the experience we provide in our restaurants."

FINANCIAL HIGHLIGHTS

($000's except per unit amounts)	Oct. 1 to Dec. 31, 2013	Oct. 1 to Dec. 31, 2012	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Restaurants in the Royalty Pool	**102**	**102**	**102**	**102**
Gross sales reported by Keg restaurants in the Royalty Pool	**$ 120,093**	**$ 122,392**	**$ 474,864**	**$ 484,568**
Royalty income (1)	$ 4,961	$ 4,896	$ 19,496	$ 19,401
Interest income (2)	1,078	1,075	4,279	4,282
Total income	**$ 6,039**	**$ 5,971**	**$ 23,775**	**$ 23,683**
Administrative expenses (3)	(114)	(86)	(422)	(398)
Interest and financing expenses (4)	(161)	(176)	(681)	(705)
Operating income	**$ 5,764**	**$ 5,709**	**$ 22,672**	**$ 22,580**
Distributions to KRL (5)	(2,039)	(2,030)	(8,072)	(8,057)
Profit before fair value adjustment and taxes	**$ 3,725**	**$ 3,679**	**$ 14,600**	**$ 14,523**
Fair value adjustment (6)	(4,231)	(152)	(5,740)	(5,338)
Taxes (7)	(973)	(914)	(3,800)	(3,599)
Profit (loss)	**$ (1,479)**	**$ 2,613**	**$ 5,060**	**$ 5,586**
Distributable cash before SIFT tax (8)	**$ 3,458**	**$ 3,441**	**$ 14,641**	**$ 14,650**
Distributable cash (9)	**$ 2,534**	**$ 2,558**	**$ 11,024**	**$ 11,168**
Distributions paid to Fund unitholders	**$ 2,725**	**$ 2,725**	**$ 10,899**	**$ 10,899**
Payout Ratio (10)	**107.5%**	**106.5%**	**98.9%**	**97.6%**
Per Fund unit information (11)				
Profit before fair value adjustment and income taxes	$ .328	$ .324	$ 1.286	$ 1.279
Profit (loss)	$ (.130)	$ .230	$ .446	$ .492
Distributable cash before SIFT tax (8)	**$ .305**	**$ .303**	**$ 1.290**	**$ 1.290**
Distributable cash (9)	**$ .223**	**$ .225**	**$ .971**	**$ .984**
Distributions paid to Fund unitholders	**$ .240**	**$ .240**	**$ .960**	**$ .960**

Notes:

(1) The Fund, indirectly through the Partnership, earns royalty income equal to 4% of gross sales of Keg restaurants in the Royalty Pool.

(2) The Fund directly earns interest income on the $57.0 million Keg Loan, with interest income accruing at 7.5% per annum, payable monthly.

(3) The Fund, indirectly through the Partnership, incurs administrative expenses and interest on the operating line of credit, to the extent utilized.

(4) The Fund, indirectly through the Trust, incurs interest expense on the $14.0 million term loan and amortization of deferred financing charges.

(5) Represents the distributions of the Partnership attributable to KRL during the respective periods on the Exchangeable and Class C units held by KRL. The Class A, entitled Class B and Class D Partnership units are exchangeable into Fund units on a one-for-one basis ("Exchangeable units"). These distributions are presented as interest expense in the financial statements.

(6) Fair value adjustment is the non-cash increase or decrease in the market value of the Exchangeable units held by KRL during the respective period. Exchangeable units are classified as a financial liability under IFRS. The Fund is required to determine the fair value of that liability at the end of each reporting period and adjust for any increase or decrease, taking into consideration the sale of any Exchangeable units during the same period.

(7) Taxes for the quarter ended December 31, 2013, include SIFT tax expense of $924,000 (quarter ended December 31, 2012 - $883,000) and non-cash deferred taxes of $49,000 (quarter ended December 31, 2012 - $31,000). Taxes for the year ended December 31, 2013 include SIFT tax expense of $3,617,000 (year ended December 31, 2012 - $3,482,000) and non-cash deferred tax of $183,000 (year ended December 31, 2012 - $117,000). The obligation to pay SIFT tax came into effect on January 1, 2011.

(8) Distributable cash before SIFT tax is defined as the periodic cash flows from operating activities as reported in the IFRS consolidated financial statements, including the effects of changes in non-cash working capital, plus SIFT tax paid (including current year instalments), less interest and financing fees paid on the term loan, less the Partnership distributions attributable to KRL through its ownership of Exchangeable units. Distributable cash before SIFT tax is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS, and therefore may not be comparable to similar measures presented by other issuers.

(9) Distributable cash is the amount of cash available for distribution to the Fund's public unitholders and is calculated as distributable cash before SIFT tax, less current year SIFT tax expense. Distributable cash is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS, and therefore may not be comparable to similar measures presented by other issuers. However, the Fund believes that distributable cash, both before and after SIFT tax, provides useful information regarding the amount of cash available for distribution to the Fund's public unitholders.

(10) Payout ratio is computed as the ratio of aggregate cash distributions paid during the period (numerator) to the aggregate distributable cash of the period (denominator).

(11) 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. The weighted average number of Fund units outstanding for the three months ended December 31, 2013 was 11,353,500 (three months ended December 31, 2012 - 11,353,500) and for the year ended December 31, 2013 was 11,353,500 (year ended December 31, 2012 - 11,353,500).

(12) Same Store Sales Growth ("SSSG") is the overall increase or decrease in gross sales from Keg restaurants (that operated during the entire period of both the current and the prior year) as compared to gross sales for the same period of the prior year. SSSG is not an IFRS financial measure and does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. However, the Fund believes that SSSG provides useful information regarding the increase or decrease in gross sales for comparable restaurants.

(13) The number of restaurants added to the Royalty Pool each year may differ from the number of restaurant openings and closings reported by KRL on an annual basis, as the periods for which they are reported differ slightly.

(14) The interim financial results for all periods presented herein have not been audited.

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, KRL pays the Fund a royalty of 4% of gross sales of Keg restaurants included in the royalty pool.

Vancouver-based KRL 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. KRL continues to operate The Keg restaurant system and expand that system through the addition of both corporate and franchised Keg steakhouses. KRL has been named one of the "50 Best Employers in Canada" for the past twelve years by Aon Hewitt. 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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