Sterling

STERLING SHOES LIMITED PARTNERSHIP

2580 Viscount Way Richmond BC Canada V6V 1N1 TEL 604.270.6114 FAX 604.278.7751

FOR IMMEDIATE RELEASE **August 10, 2010**

STERLING SHOES INC. (TSX: SSI)
(formerly Sterling Shoes Income Fund)

COMPANY ANNOUNCES SECOND QUARTER 2010 RESULTS

HIGHLIGHTS:

- Gross margin increased to 46.7% during the three-month period ended June 30, 2010, compared to 45.6% during the same period in 2009;
- Gross margin for the six-month period ended June 30, 2010 increased to 48.5%, compared to 44.5% during the same period in 2009;
- EBITDA decreased by $878 thousand to $55 thousand (0.2% as a percentage of sales), during the three-month period ended June 30, 2010 compared to an EBITDA of $933 thousand (2.2% as a percentage of sales) during the same period in 2009;
- EBITDA rose by $696 thousand to $683 thousand (1.2% as a percentage of sales), during the six-month period ended June 30, 2010 compared to a negative EBITDA of $13 thousand during the same period in 2009;
- On June 24, 2010 unitholders of Sterling Shoes Income Fund voted unanimously in favour of the Fund's plan of arrangement to reorganize the Fund into a corporation called Sterling Shoes Inc. The conversion was completed effective July 1, 2010;
- Subsequent to the quarter end, on July 6, 2010, Sterling Shoes Inc. extended its credit facilities for a 3 year term.

VANCOUVER, BC, August 10, 2010 – Sterling Shoes Inc. (the "Company"), formerly Sterling Shoes Income Fund (the "Fund"), today reported its financial results for the quarter ended June 30, 2010.

The Company posted improvements in its gross margin performance for the three and six-month periods ended June 30, 2010 compared to the same period in the prior year. EBITDA results were down for the three-month period ended June 30, 2010 but up for the six-month period ended June 30, 2010, compared to the respective periods in 2009.

Sterling Shoes Income Fund converted to a corporation effective July 1, 2010. The conversion to a corporation was undertaken as management and the board of trustees unanimously determined that the proposed corporate structure would be better suited to the Fund's strategy. The Fund's unitholders agreed, unanimously approving the conversion at its June 24, 2010 special and annual meeting.

On July 6, 2010 we extended our credit facilities with the Bank of Montreal for a 3 year term. Interest rates and fees have been changed to reflect market conditions at the time. and represent improvements over the previous pricing grid.

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Financial Results for the three and six-month periods ended June 30, 2010

During the three and six-month periods ended June 30, 2010, sales were $28.6 million and $55.5 million respectively, representing a decrease of 6.6% and 4.9% from $30.6 million and $58.3 million a year earlier.

Cost of sales as a percentage of sales for the three and six-months ended June 30, 2010 was 53.3% and 51.5% compared to 54.4% and 55.5% for the same period during 2009. Gross margin as a percentage of sales for the three and six-month periods ended June 30, 2010 was 46.7% and 48.5% compared to 45.6% and 44.5% for the same period during 2009.

Cost of sales was positively impacted by the appreciation of the Canadian dollar versus the US dollar compared to 2009. Substantially all footwear sold in Canada is manufactured outside of Canada. Consequently, the cost of substantially all of our purchases is exposed to currency fluctuations either directly or indirectly. For the first half of 2010, approximately 43% of product purchases were denominated in U.S. dollars. During the quarter ended June 30, 2010 the Canadian dollar was worth approximately 10% more against the U.S. dollar than during the same period in 2009. This has decreased purchase prices, inventory valuation and cost of sales.

Store and selling expenses for the three and six-months ended June 30, 2010 were 38.7% and 40.0% of sales, compared to 37.1% and 38.8% for the same periods during 2009, respectively. Store and selling expenses have a fixed underlying core with a large variable component, primarily consisting of expenses relating to occupancy and employee costs. In nominal dollar terms, store and selling expenses decreased by $307 thousand and $417 thousand for the three and six-month periods ending June 30, 2010 as a result of management's actions to reduce costs.

General and administrative ("G&A") expenses for the three and six-months ended June 30, 2010 were 7.9% and 7.2% of sales, compared to 5.4% and 5.7% during the same periods in 2009, respectively. G&A expenses have increased $607 thousand in the 3 months ended June 30, 2010, due to non-recurring items such as professional fees incurred with respect to the conversion to a corporate entity, executive search costs related to the search for a new President and CEO, as well as additional costs required to support the legacy system while the new information technology system is being implemented. These non-recurring expenses totaled approximately $500 thousand during the three-month period ended June 30, 2010.

EBITDA for the three and six-months ended June 30, 2010 was 0.2% and 1.2% of sales, respectively, compared to 3.0% and 0.0% for the same periods during 2009. EBITDA improvement for the six-month period ended June 30, 2010 was achieved despite the non-recurring G&A costs noted above.

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STERLING SHOES INCOME FUND
Consolidated Balance Sheets
(Unaudited - expressed in thousands of dollars, except per unit and number of unit figures.)

		As at June 31, 2010		As at December 31, 2009
ASSETS				
CURRENT				
Cash	$	202		4,119
Accounts receivable		119		195
Inventory		36,905		36,446
Prepaid expenses and deposits		257		187
		37,483		40,947
LEASEHOLDS AND EQUIPMENT		18,258		19,595
INTANGIBLE ASSETS		16,623		16,623
	$	72,364	$	77,165
LIABILITIES AND UNITHOLDERS' EQUITY				
CURRENT				
Accounts payable and accrued liabilities	$	12,784	$	15,006
Term loan		5,000		5,000
		17,784		20,006
FUTURE INCOME TAXES		2,364		2,364
CONVERTIBLE DEBENTURES		22,883		22,520
DEFERRED LEASE INDUCEMENTS		1,830		2,057
UNITHOLDERS' EQUITY		27,503		30,218
	$	72,364	$	77,165

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STERLING SHOES INCOME FUND

Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in thousands of dollars, except per unit and number of unit figures.)

	Three-month period ended		Six-month period ended	
	June 30, 2010	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**
SALES	$ **28,606**	$ **30,618**	$ **55,461**	$ **58,290**
COST OF SALES	**15,234**	**16,667**	**28,571**	**32,341**
GROSS MARGIN	**13,372**	**13,951**	**26,890**	**25,949**
EXPENSES				
Store and selling	**11,057**	**11,364**	**22,203**	**22,620**
General and administrative	**2,261**	**1,654**	**4,004**	**3,342**
Amortization of leaseholds and equipment	**932**	**772**	**1,878**	**1,535**
	14,250	**13,790**	**28,085**	**27,497**
Income/(Loss) before interest, amortization and non-controlling interest	**(877)**	**161**	**(1,195)**	**(1,548)**
Interest and financing expense	**659**	**644**	**1,302**	**1,296**
Loss (Gain) on disposal of leaseholds and equipment	**218**	**168**	**218**	**232**
LOSS BEFORE TAXES	**(1,754)**	**(651)**	**(2,715)**	**(3,076)**
Future income taxes recovery	**-**	**-**	**-**	**-**
NET LOSS AND COMPREHENSIVE LOSS	**(1,754)**	**(651)**	**(2,715)**	**(3,076)**
Basic and diluted net loss per unit	$ **(0.26)**	$ **(0.10)**	$ **(0.41)**	$ **(0.46)**
Basic weighted average number of units outstanding	**6,641,860**	**6,641,860**	**6,641,860**	**6,641,860**
Diluted weighted average number of units outstanding	**7,823,885**	**7,823,885**	**7,823,885**	**7,823,885**

STERLING SHOES INCOME FUND

Consolidated Statements of Unitholders' Equity

For the six month period ended June 30, 2010

(Unaudited - expressed in thousands of dollars, except per unit and number of unit figures.)

	Unitholders' capital [note 7]	**Equity component of Debentures [note 6]**	**Accumulated earnings**	**Accumulated distributions**	**Accumulated deficit**	**Unitholders' equity**
BALANCE, December 31, 2008	$ 59,809	2,657	33,740	(36,800)	(3,060)	$ **59,406**
Net loss for the period	**-**	**-**	(2,715)		(2,715)	**(2,715)**
Distributions declared	**-**	**-**	**-**	0	0	**0**
BALANCE, June 30, 2009	$ 59,809	2,657	31,025	(36,800)	(5,775)	$ **56,691**
Net income for the period		**-**	(24,918)		(24,918)	**(24,918)**
Distributions declared	**-**	**-**	**-**	(1,555)	(1,555)	**(1,555)**
BALANCE, December 31, 2009	$ 59,809	2,657	6,107	(38,355)	(32,248)	$ **30,218**
Net loss for the period	**-**	**-**	(2,715)		(2,715)	**(2,715)**
Distributions declared	**-**	**-**	**-**	0	0	**0**
BALANCE, June 30, 2010	$ 59,809	2,657	3,392	(38,355)	(34,963)	$ 27,503

Sterling SHOE WAREHOUSE Joneve freedman shoes gia shoes Sterling OUTLET

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STERLING SHOES INCOME FUND
Consolidated Statements of Cash Flows
(Unaudited - Expressed in thousands of dollars, except per unit and number of unit figures.)

	Three-month period ended		Six-month period ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
OPERATING ACTIVITIES				
Net Loss	$ (1,754)	$ (651)	$ (2,715)	$ (3,076)
Items not involving cash				
Amortization of leaseholds and equipment	932	772	1,878	1,535
Loss on disposal of leaseholds and equipment	218	168	218	232
Amortization of deferred lease inducements	(131)	(250)	(226)	(438)
Accreted interest expense	185	167	363	327
	(550)	206	(482)	(1,420)
Change in non-cash working capital balances related to operations				
Accounts receivable	323	151	76	572
Inventory	4,259	5,087	(459)	707
Prepaid expenses and deposits	(22)	170	(70)	48
Accounts payable and accrued liabilities	(3,574)	(5,046)	(2,222)	42
	986	362	(2,675)	1,369
Cash provided by / (used in) operating activities	436	568	(3,157)	(51)
INVESTING ACTIVITIES				
Acquisition of leaseholds and equipment	(541)	(991)	(760)	(2,190)
Lease inducements received	0	53	0	85
Cash used in investing activities	(541)	(938)	(760)	(2,105)
FINANCING ACTIVITIES				
Operating loan	-	741	-	3,191
Payment of distributions	0	(371)	0	(1,035)
Cash provided by / (used in) financing activities	0	370	0	2,156
CASH OUTFLOW DURING THE PERIOD	(105)	(0)	(3,917)	0
CASH, BEGINNING OF PERIOD	307	0	4,119	0
CASH, END OF PERIOD	$ 202	$ -	$ 202	$ -
Supplemental cash flow information				
Interest paid	$ 880	$ 876	$ 939	$ 961

Conference Call Notification

Please note the Fund's conference call will take place at 10:00 pm Pacific Daylight Time (1:00 pm EDT) on Wednesday, August 11, 2010. The number to participate in the teleconference is Toll-free: 866-226-1793 or 416-340-2218. To ensure your participation, please call in about five minutes before the start of the call. For those unable to participate, a telephone replay will be available until August 25, 2010 using the passcode 6006551 at 800-408-3053 or 416-695-5800.

Forward-looking statements

Certain statements in this press release may constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this press release, such statements often use, but are not limited to, such words as "may", "will", "expect", "should", "believe", "intend", "plan", "anticipate", "potential", and other similar terminology. These statements reflect current expectations of management regarding future events and operating performance and speak only as of the date of this press release. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the following factors: general economic conditions and markets and, in particular, the potential impact of the current economic downtown, the cost and availability of capital, the possibility of deterioration in the Company's working capital position, the impact on the Company's liquidity if it were to go offside of the covenants in its debt facilities, our ability to maintain profitability and manage growth, risks associated with leasing and expansion, competition, inventory and sourcing risk, ability to identify and respond to changing consumer fashion preferences, risks associated with international purchasing, reliance on key personnel,

dependence on consumer spending, unseasonable weather conditions, uncertainties arising from world events, intellectual property risks, foreign exchange fluctuations on imported merchandise, labour relations, seasonality and fluctuations in cash distributions, fluctuations in distributable cash based on our performance, restrictions on potential growth, future issuances of Units by the Fund or future disposition of Units held by SSI Investments Inc., income tax matters, changes in accounting standards, including the transition to IFRS, and increases in interest rates. The actual timing of and number of additional store openings could differ materially from what is described herein if Sterling is unable to reach timely and satisfactory agreements with the various landlords as to the final lease documentation, to secure adequate labour and materials to construct the stores, to deliver sufficient inventory, to adapt its operational systems, or to hire, train and integrate employees. Although the forward-looking statements contained in this press release are based upon what our management believes to be reasonable assumptions, we cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this press release and we assume no obligation to update or revise them to reflect new events or circumstances.

About Sterling Shoes Inc.

Sterling is a leading Vancouver-based footwear retailer offering a broad selection of private label and brand name shoes and accessories in five Canadian provinces through its six separate retail banners: Sterling, Joneve, Shoe Warehouse, Freedman Shoes and Gia. Since 1987, Sterling Shoes has grown from five shopping mall locations to 160 stores (as at August 10, 2010) located in high-traffic, high-visibility locations within enclosed shopping malls, on high streets and in strip malls. The Fund currently employs over 1,300 employees. The Company's shares are listed on the Toronto Stock Exchange under the symbol SSI. The Company's convertible debentures are listed on the Toronto Stock Exchange under the symbol SSI.DB.

For further information, please visit us at www.SterlingShoesInc.com, or contact:

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Additional information about Sterling Shoes Inc. can be found in the disclosure documents filed by Sterling Shoes Inc. with the securities regulatory authorities, available at www.sedar.com.