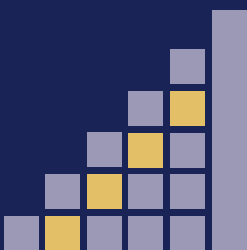


FIRST PREMIUM

SEMI-ANNUAL REPORT 1997

*For the six months ended
June 30, 1997*



**FIRST
PREMIUM**

To Unitholders of the First Premium Trust:

The First Premium Trusts were created to provide investors with attractive yields when compared to fixed income vehicles. Although the Trusts invest in equities, the risk profile is reduced and the income enhanced through covered call writing within the Trusts.

The first six months of 1997 were characterized by buoyant equity markets and increased levels of volatility. The North American economic expansion has continued at a moderate pace with inflation and interest rates remaining very low. These factors are extremely positive for financial markets. Equity market participants do however remain cautious about the effects of higher interest rates as evidenced by the rapid correction in share prices in March. This nervousness adds to the volatility of the marketplace. Increased volatility translates into higher levels of premium available from covered call writing program.

PREMIUM INCOME U.S. INCOME TRUST

First Premium U.S. Income Trust was launched on February 3, 1997. The Trust's objective is to pay unitholders \$2 per unit or 8% based on its original issue price of \$25.

Net assets of the Trust as of June 30, 1997 amounted to \$321,751,931, after distributions to unitholders. Distributions to unitholders in the period ended June 30, 1997 amounted to \$0.83 per trust unit, representing an 8% annualized yield on the original issue price of \$25.

The U.S. equity markets were characterized by large volatile swings during the first six months of 1997. Daily index changes of between one and two percent were not uncommon. This increased volatility in the market has allowed for very attractive option premiums.

Historically, market corrections are accompanied by higher interest rates and increased volatility, both of which have positive effects on the income available to the Trust. The Trust's conservative strategy of enhancing income by way of covered call writing allows the trust to earn strong income in times of buoyant markets while reducing the effects of any market correction. We believe this to be a unique and desirable feature of the Trust.

FIRST PREMIUM U.S. INCOME TRUST

Interim Statement of Operation

for the six months ended June 30, 1997 (Unaudited)

Income

Interest	\$ 1,855,745
Dividends	1,329,215
	<u>3,184,960</u>

Expenses

Custodian	290,015
Management fees	2,293,005
GST	167,126
	<u>2,750,146</u>

Net investment income 434,814

Gain on sale of investments	15,922,171
Unrealized appreciation (depreciation) of investments	(1,233,078)
	<u>14,689,093</u>

Total results from financial operations \$ 15,123,907

Total results from financial operations per Unit \$ 1.13

Interim Statement of Changes in Net Assets

for the six months ended June 30, 1997 (Unaudited)

Net assets, beginning of period \$ -

Proceeds from units issued 317,750,024

Total results from financial operations 15,123,907

Distributions to Unitholders

From net investment income	(434,814)
From net realized gain on sale of investment	(10,687,186)
	<u>(11,122,000)</u>

Increase in net assets for the period 4,001,907

Net assets, end of period \$ 321,751,931

Net asset value per Unit \$ 24.01

Distribution per unit

From net investment income	\$ 0.03
From net realized gain on sale of investment	\$ 0.80
Total Distribution per unit	<u>\$ 0.83</u>

Semi-Annual Report 1997

Statement of Investments

As at June 30, 1997 (Unaudited)

	No. of Shares	Cost	Market Value
Domestic Short Term-CAD			
Royal Bank T/D	134,135,000	134,135,000	134,135,000
Domestic Short Term-USD			
Canada Treasury	15,300,000	21,024,144	21,040,925
Canada Treasury	25,755,000	35,786,227	35,423,154
		56,810,371	56,464,079
Foreign Equities			
AT&T Corp	150,000	7,382,925	7,242,878
Bank America Corp	50,000	4,102,717	4,462,130
Boeing Co	150,000	10,934,074	11,019,521
Amer Express	150,000	15,563,167	15,494,585
Chrysler Corp	400,000	18,678,689	18,176,174
Cisco Systems	35,000	3,240,616	3,241,188
Citicorp	20,000	3,295,436	3,326,550
Walt Disney	100,000	11,408,841	10,881,562
Mobil Corp	100,000	9,847,301	9,639,926
First Chicago NBD	100,000	8,505,717	8,396,289
General Mtrs Corp	200,000	15,847,623	15,365,248
Hewlett Packard	119,300	8,876,764	9,083,078
Intel Corp	85,000	17,297,666	16,607,746
I.B.M.	20,000	2,295,620	2,498,793
Pepsico	150,000	7,735,015	7,773,160
Schumberger Ltd	70,000	11,719,265	12,077,499
		156,731,436	155,288,327
Contracts			
Foreign Written Call Options	(7,700)	(2,792,776)	(2,226,357)
Currency			
Canadian Dollar		(11,055,225)	(11,055,225)
US Dollar		15,518,950	15,598,864
		4,463,735	4,453,639
Total Investments		\$349,347,766	\$348,114,688

Note: the composition of the portfolio at any time may differ from that of the portfolio listed above

CORPORATE INFORMATION

Mulvihill Capital Management Inc. is a leading Canadian investment counsellor responsible for the care of institutional and personal assets. The company manages corporate, pension, insurance, endowment, trust and mutual funds under a wide variety of investment mandates. Founded in 1985 as CT Investment Counsel Inc., the investment arm of Canada Trust, the company emerged in 1995 as an independent company operated by a cohesive team of senior managers and owners who have been together for more than a decade. The company's scale and independent structure allow them to provide clients with a uniquely customized approach to asset management.

The First Premium investment vehicles are managed by Mulvihill Capital's structured finance group. This area of the company concentrates exclusively on creating and managing products tailored to meet very specific investment objectives. Assets are generally managed to meet specific absolute return levels rather than taking on the additional risk of targeting relative returns.

Mulvihill's reputation has been built on its ability to provide customized portfolios that meet the stated needs of its clients. The First Premium investments are prime examples of that customized approach to asset management.

John P. Mulvihill, CFA

Chairman and CEO

Mulvihill Capital Management Inc.

John Mulvihill is Chair of the Asset Mix Committee at Mulvihill and Senior Portfolio Manager for Canadian and U.S. equities. Before starting Mulvihill Capital Management Inc., John Mulvihill was Chairman of CT Investment Counsel Inc. where he had responsibility for asset allocation and portfolio management of pension plans and mutual funds.

S. Wayne Finch

Vice President

Mulvihill Capital Management Inc.

Wayne Finch is a Vice President at Mulvihill where he is responsible for managing all First Premium investment portfolios. In addition, he manages all derivative and preferred share investments for the firm. Mr. Finch has extensive experience in managing portfolios employing similar investment strategies as those used in the First Premium portfolios.

FIRST PREMIUM

Managed by:



MULVIHILL
CAPITAL MANAGEMENT INC.

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Statement of Portfolio Transactions

A copy of the Statement of Portfolio Transactions (unaudited) for Premium Income Corporation for the period ended April 30, 1998 may be obtained without charge by writing to:

Premium Income Corporation
Investor Relations
121 King Street West
Suite 2600
Toronto, Ontario
M5H 3T9