

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.

FIRST PREMIUM INCOME TRUST

First Premium Income Trust has completed its first year of operations. The investment objective of the Trust is to pay unitholders \$2 per unit or 8% based on its original issue price of \$25. Total distributions amounted to \$3 during the first year or 12% of its original price. In addition, the market price per unit has increased to \$28.60 as of June 30th.

Net assets of the Trust as of June 30, 1997 amounted to \$178,302,527, net of distributions, an increase of 5.2% from December 31, 1996. Distributions to unitholders in the six-month period ended June 30, 1997 amounted to \$1.50 per trust unit, representing a 12% annualized yield on the original price of \$25.

The Trust's investment strategy is to invest in blue chip equities such as banks and utilities while enhancing income by way of covered call writing.

FIRST PREMIUM INCOME TRUST

Interim Statement of Operation *for the six months ended April 30 (Unaudited)*

	1998
Net assets, beginning of period	\$ 107,380,123
Total results from financial operations	12,063,969
Distributions to Unitholders	
From net investment income	(1,409,899)
From net realized gain on sale of investment	(2,748,365)
	<u>(4,158,264)</u>
Increase in net assets for the period	7,905,705
Net assets, end of period	\$ 115,285,828
Net Asset Value per Unit	\$28.82
Distribution per unit	
From net investment income	\$0.35
From net realized gain on sale of investment	0.69
	<u>\$0.94</u>

Interim Statement of Changes in Net Assets *for the six months ended April 30 (Unaudited)*

	1998
Net assets, beginning of period	\$ 107,380,123
Total results from financial operations	12,063,969
Distributions to Unitholders	
From net investment income	(1,409,899)
From net realized gain on sale of investment	(2,748,365)
	<u>(4,158,264)</u>
Increase in net assets for the period	7,905,705
Net assets, end of period	\$ 115,285,828
Net Asset Value per Unit	\$28.82
Distribution per unit	
From net investment income	\$0.35
From net realized gain on sale of investment	0.69
	<u>\$0.94</u>

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Statement of Investments

for the six months ended April 30 (Unaudited)

	No. of Shares	Cost	Market Value
<i>Cash</i>		\$ 22,962	\$ 22,962
<i>Short Term Investments</i>			
Canada Treasury Bills	21,870,000	21,729,392	21,792,580
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Canada Treasury Bills	21,870,000	21,729,392	21,792,580
		<u>50,650,901</u>	<u>50,650,901</u>
<i>Canadian Common Stocks</i>			
Metals & Minerals			
Noranda	21,870,000	21,729,392	21,792,580
Oil & Gas			
Imperial Oil	21,870,000	21,729,392	21,792,580
Paper & Forest Products			
NacMillan Boedel Ltd.	21,870,000	21,729,392	21,792,580
Noranda Forest Inc.	21,870,000	21,729,392	21,792,580
		<u>50,650,901</u>	<u>50,650,901</u>

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.

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
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FIRST PREMIUM

Managed by:



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