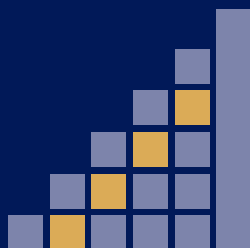


FIRST PREMIUM INCOME TRUST

*SEMI-ANNUAL
REPORT 1998*

*For the six months ended
June 30, 1998*



FIRST PREMIUM
INCOME TRUST

To Unitholders of First Premium Income Trust

The investment objective of the Trust is to pay unitholders \$2 per unit per annum or 8% based on its original issue price of \$25.

To accomplish this, the Trust's investment strategy is to invest in Canadian blue chip equities such as banks and utilities and enhance any income earned through covered call option writing. The eligible investment universe is comprised of Canadian listed stocks which have a dividend yield at least 125% of the TSE 300 yield.

Net assets of the Trust on June 30, 1998 were \$176.02 million, net of distributions, representing a decrease of 1.7% from the December 31, 1997 valuation of \$178.99 million.

In addition, distributions to unitholders in the six-month period ended June 30, 1998 were \$1.00 per unit in regular distributions as well as \$0.25 per unit in special distributions for a total distribution amount of \$1.25 per unit. Total distributions from inception of the Trust in June 1996 were \$6.25.

FIRST PREMIUM INCOME TRUST

Interim Statement of Operations

For the six months ended June 30 (Unaudited)

	<u>1998</u>	<u>1997</u>
Income		
Dividends	\$ 1,415,691	\$ 2,194,260
Interest	<u>1,137,823</u>	<u>618,245</u>
	<u>2,553,514</u>	<u>2,812,505</u>
Expenses		
Management fees	1,111,900	1,093,177
Custodian and other fees	56,307	96,319
Goods & services tax	<u>81,774</u>	<u>80,569</u>
	<u>1,249,981</u>	<u>1,270,065</u>
Net investment income	<u>1,303,533</u>	<u>1,542,440</u>
Gain on sale of investments	15,233,403	15,882,036
Change in unrealized appreciation of investments	<u>(11,761,262)</u>	<u>964,908</u>
Net gain on investments	<u>3,472,141</u>	<u>16,846,944</u>
Total results from financial operations	<u>\$ 4,775,674</u>	<u>\$ 18,389,384</u>
Total results from financial operations per Unit	<u>\$ 0.72</u>	<u>\$ 2.78</u>

Interim Statement of Changes in Net Assets

for the six months ended June 30 (Unaudited)

	<u>1998</u>	<u>1997</u>
Net assets, beginning of period	<u>\$ 178,989,875</u>	<u>\$ 169,470,356</u>
Unit transactions		
Proceeds from units issued, net of issue costs	-	360,932
Proceeds from reinvestment of distributions	<u>566,179</u>	<u>-</u>
	<u>566,179</u>	<u>360,932</u>
Total results from financial operations	<u>4,775,674</u>	<u>18,389,384</u>
Distributions to Unitholders		
From net investment income	<u>(1,303,533)</u>	<u>(1,542,440)</u>
From net realized gain on sale of investments	<u>(7,003,606)</u>	<u>(8,375,705)</u>
	<u>(8,307,139)</u>	<u>(9,918,145)</u>
Increase (decrease) in net assets for the period	<u>(2,965,286)</u>	<u>8,832,171</u>
Net assets, end of period	<u>\$ 176,024,589</u>	<u>\$ 178,302,527</u>
Net asset value per Unit	<u>\$ 26.48</u>	<u>\$ 26.96</u>
Distribution per Unit		
From net investment income	\$ 0.20	\$ 0.23
From net realized gain on sale of investments	<u>1.05</u>	<u>1.27</u>
Total Distribution per unit	<u>\$ 1.25</u>	<u>\$ 1.50</u>

FIRST PREMIUM INCOME TRUST

Statement of Investments

As at June 30, 1998 (Unaudited)

	Par Value / No. of shares	Cost	Market Value
Canadian Equities			
Metals & Minerals			
Alcan Aluminium Ltd.	40,000	\$ 1,883,426	\$ 1,620,000
Noranda Inc.	200,000	5,971,425	5,080,000
		<u>7,854,851</u>	<u>6,700,000</u>
Gold & Precious Metals			
Falconbridge Ltd.	100,000	1,967,726	1,775,000
Placer Dome Inc.	100,000	2,017,500	1,710,000
		<u>3,985,226</u>	<u>3,485,000</u>
Oil & Gas			
Imperial Oil Ltd.	150,000	4,410,386	3,855,000
Paper & Forest Products			
Donohue Inc. Cl A	155,000	5,312,407	5,153,750
Consumer Products			
Imasco Ltd.	166,000	4,683,784	4,506,900
Industrial Products			
Jannock Ltd.	147,100	2,943,565	2,868,450
Nova Corp.	380,000	4,567,893	6,403,000
		<u>7,511,458</u>	<u>9,271,450</u>
Pipelines			
IPL Energy Inc.	50,000	2,907,340	3,312,500
Westcoast Energy Inc.	170,000	5,235,098	5,567,500
		<u>8,142,438</u>	<u>8,880,000</u>
Utilities			
BC Telecom Inc.	50,000	2,717,620	2,750,000
BCE Inc.	137,500	7,355,862	8,573,125
Canadian Utilities Ltd. Cl A	95,100	3,835,434	4,388,865
Manitoba Telecom Services Inc.	298,200	5,235,553	6,545,490
Maritime Telegraph & Telephone Co. Ltd.	102,000	3,750,845	4,258,500
Nova Scotia Power Inc.	178,200	2,824,278	3,457,080
Telus Corp.	95,000	3,592,918	3,614,750
		<u>29,312,510</u>	<u>33,587,810</u>
Communications & Media			
Thomson Corp.	102,200	4,092,020	4,363,940
Financial Services			
Bank of Nova Scotia	92,500	3,267,702	3,367,000
Great-West Lifeco Inc.	65,000	2,180,750	3,347,500
National Bank of Canada	60,000	1,850,058	1,725,000
Royal Bank of Canada	55,000	3,913,910	4,867,500
Toronto Dominion Bank	70,000	4,517,553	4,655,000
		<u>15,729,973</u>	<u>17,962,000</u>
Conglomerates			
Power Corporation of Canada	60,000	2,257,931	4,140,000
Short-term Investments			
Canada Treasury Bills	17,965,000	17,779,560	17,879,222
Province of Manitoba Treasury Bills	33,500,000	33,136,100	33,456,025
Province of British Columbia Promissory Notes	23,000,000	22,738,260	22,953,310
		<u>73,653,920</u>	<u>74,288,557</u>
Covered Calls	(4,425)	(357,965)	(178,425)
Total Investments		<u>\$ 166,588,939</u>	<u>\$ 176,015,982</u>

Year 2000

In conducting its business, the Trust utilizes the computer information systems of third party service providers, including Mulvihill Capital Management Inc. (MCM), the Custodian and Transfer Agent. The Trust is currently reviewing the potential Year 2000 readiness issues of its third party service providers and will determine what action, if any, is required. MCM has advised the Trust that it has put in place a Year 2000 plan in an effort to ensure that its information systems are Year 2000 compliant. It has also made enquiries of the Custodian and Transfer Agent in order to assess the status of their information systems with respect to Year 2000 readiness issues. There can be no assurance, however, that the Trust's third party service providers have, or will have, information systems that are Year 2000 compliant. In addition, there is no assurance that the corporations that are included in the Trust's Universe will be Year 2000 compliant. If any such corporations are not Year 2000 compliant, the NAV could be adversely affected.

Statement of Portfolio Transactions

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

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

**FIRST PREMIUM
INCOME TRUST**

Managed by:



MULVIHILL
CAPITAL MANAGEMENT INC.

121 King Street West, Suite 2600
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