SEMI-ANNUAL REPORT

2018

PREMIUM INCOME CORPORATION

strathbridge
ASSET MANAGEMENT

Letter to Shareholders

We are pleased to present the 2018 semi-annual report containing the management report of fund performance and the unaudited financial statements for Premium Income Corporation (the “Fund”).

After lagging most other global equity markets in 2017, the S&P/TSX Composite Index continued to underperform in the first few months of 2018 to finish the semi-annual period ending April 30, 2018 with a total return of negative 1.2 percent. The S&P/TSX Diversified Banks Index performed in-line with the broader market during the period with a total return of negative 0.9 percent. The Canadian banks generated flat to slightly down returns during the period with the Canadian Imperial Bank of Commerce leading with a total return of 0.7 percent while The Bank of Nova Scotia lagged with a total return of negative 3.3 percent.

The total return of the Fund, including reinvestment of distributions, for the six months ended April 30, 2018 was negative 2.6 percent. The Fund paid cash distributions of $0.43 per Preferred share and $0.41 per Class A share during the period. The net asset value of the Fund decreased from $23.18 per Unit at October 31, 2017 to $21.77 per Unit at April 30, 2018. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see “The Fund”) amounted to $0.15 per Unit for the period compared to a net realized gain on options of $0.06 per Unit for the same period last year. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

We thank all shareholders for their continued support and encourage shareholders to review the detailed information contained within the semi-annual report.

John P. Mulvihill
Chairman & CEO
Strathbridge Asset Management Inc.

The Fund

The Fund is a split share corporation designed to provide Preferred shareholders with cumulative preferential quarterly cash distributions of $0.215625 per share, to provide Class A shareholders with quarterly cash distributions of $0.20319 per share and to return the original issue price to holders of both Preferred shares and Class A shares upon windup of the Fund. A Unit of the Fund consists of one Preferred share and one Class A share. Once the net asset value ("NAV") per Unit exceeds $25.00, the Class A share distribution will vary based on 8.0 percent per annum of the NAV of the Class A share. The shares are listed on the Toronto Stock Exchange under the ticker symbols PIC.PR.A for the Preferred shares and PIC.A for the Class A shares.

To accomplish its objectives, the Fund invests at least 75 percent of its NAV in common shares of the Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada and The Toronto-Dominion Bank (collectively, the "Banks") and may also invest up to 25 percent of its NAV in common shares of National Bank of Canada. In addition, the Fund may purchase public investment funds including exchange-traded funds and other Strathbridge Funds (provided that no more than 15 percent of the NAV of the Fund may be invested in securities of other Strathbridge Funds) that provide exposure to such common shares.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting ("SSO"), to enhance the income generated by the portfolio and to reduce volatility. In addition, the Fund may write cash covered put options in respect of securities in which it is permitted to invest.

The SSO strategy is a quantitative, technical based methodology that identifies appropriate times to write and/or close out option positions compared to writing continuously and rolling options every thirty days. This proprietary process has been developed over many years through various market cycles. The Manager believes the primary benefit to investors is to maximize the total return of the Fund while reducing the level of volatility of the portfolio, thereby increasing the risk-adjusted return.

Management Report of Fund Performance

Management Report of Fund Performance

This semi-annual management report of fund performance contains the financial highlights for the six months ended April 30, 2018 of Premium Income Corporation (the “Fund”). The unaudited semi-annual financial statements of the Fund are attached.

Copies of the Fund’s proxy voting policies and procedures, proxy voting disclosure record and quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll free, by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, P.O. Box 113, Toronto, Ontario, M5H 3T9, by email at info@strathbridge.com or by visiting our website at www.strathbridge.com. You can also request semi-annual or annual reports at no cost by using one of the above methods.

Results of Operations

Distributions

For the six months ended April 30, 2018, cash distributions of $0.43 per Preferred share and $0.41 per Class A share were paid to respective shareholders, both unchanged from the same period last year.

Since the inception of the Fund in October 1996, the Fund has paid total cash distributions of $18.76 per Preferred share and $24.20 per Class A share.

Revenue and Expenses

The Fund’s total revenue was $0.43 per Unit for the six months ended April 30, 2018, unchanged from a year ago. Total expenses increased $0.01 per Unit from the same period last year to $0.15 per Unit due to a decreased average number of Units outstanding during the current period. The Fund had a net realized and unrealized loss of $0.87 per Unit in the first half of fiscal 2018 as compared to a net realized and unrealized gain of $1.47 per Unit in the prior year.

Net Asset Value

The net asset value of the Fund decreased from $23.18 per Unit at October 31, 2017 to $21.77 per Unit at April 30, 2018. The aggregate net asset value of the Fund decreased $29.2 million, from $246.8 million at October 31, 2017 to $217.6 million at April 30, 2018, reflecting an operating loss of $5.8 million, cash distributions of $8.4 million to Preferred and Class A shareholders and retractions of $15.0 million during the period.

Recent Developments

In connection with the extension of the term of the Fund to November 1, 2024, holders of Preferred shares and Class A shares had a special retraction right to permit holders of such securities to retract such shares on November 1, 2017 on the terms on which such shares would have been redeemed had the term of the Fund not been extended. On November 13, 2017, 649,075 Preferred shares and 649,075 Class A shares were redeemed for $9,736,125 and $5,285,677 respectively.

Related Party Transactions

Strathbridge Asset Management Inc. ("Strathbridge"), as the Investment Manager of the Fund, manages the investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and Strathbridge dated October 17, 1996 and amended as of October 8, 2010.

Strathbridge is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Strathbridge dated October 17, 1996 and amended as of October 8, 2010. As such, Strathbridge is responsible for providing or arranging for required administrative services to the Fund.

Strathbridge is paid the fees described under the Management Fees section of this report.

During the period, no recommendations or approvals were required to be sought from the Independent Review Committee ("IRC") concerning related party transactions.

Independent Review Committee

National Instrument 81-107 - Independent Review Committee for Investment Funds ("NI 81-107") requires all publicly offered investment funds to establish an IRC to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. The Chief Compliance Officer, designated by the Manager, is in charge of facilitating the fulfillment of these obligations.

The IRC will prepare, for each financial year, a report to securityholders that describes the IRC and its activities during such financial year and includes, if known, a description of each instance when the Manager acted in a conflict of interest matter for which the IRC did not give a positive recommendation or for which a condition, imposed by the IRC, was not met in its recommendation or approval. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

Management Report of Fund Performance

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

Information for the period ended April 30, 2018 is derived from the Fund's unaudited semi-annual financial statements.

The information for the years ended October 31 is derived from the Fund's audited annual financial statements.

		Six months ended April 30, 2018
NET ASSETS PER UNIT		
Net Assets, beginning of period[(1)]	**$**	**23.18**
INCREASE (DECREASE) FROM OPERATIONS		
Total revenue		**0.43**
Total expenses		**(0.15)**
Realized gain (loss) for the period		**1.31**
Unrealized gain (loss) for the period		**(2.18)**
Total Increase (Decrease) from Operations[(2)]		**(0.59)**
DISTRIBUTIONS		
Preferred Share		
From net investment income		**(0.43)**
Non-taxable distributions		**–**
Total Preferred Share Distributions		**(0.43)**
Class A Share		
From net investment income		**–**
Non-taxable distributions		**(0.41)**
Total Class A Share Distributions		**(0.41)**
Total Distributions[(3)]		**(0.84)**
Net Assets, end of period[(1)]	**$**	**21.77**

(1) All per Unit figures presented in 2018, 2017, 2016, 2015 and 2014 are referenced to net assets determined in accordance with IFRS which are derived from the Fund's unaudited financial statements for the six months ended April 30, 2018 and audited financial statements for the years ended October 31, 2017, 2016 and 2015. Net assets per Unit for the year ended October 31, 2013 were derived from the Fund's audited annual financial statements that were prepared in accordance with Canadian generally accepted accounting principles. Net assets per Unit is the difference between the aggregate value of the assets (including the valuation of securities at closing prices for the years beginning on or after November 1, 2013 and for 2013 at bid prices) and the aggregate value of the liabilities, excluding the Redeemable Preferred Share liability, divided by the number of Units then outstanding.

		Six months ended April 30, 2018
RATIOS/SUPPLEMENTAL DATA		
Net Asset Value, excluding the Redeemable Preferred Share liability ($millions)	**$**	**217.57**
Net Asset Value ($millions)	**$**	**67.64**
Number of Units outstanding		**9,995,191**
Management expense ratio[(1)]		**1.16%[(4)]**
Portfolio turnover rate[(2)]		**35.57%**
Trading expense ratio[(3)]		**0.11%[(4)]**
Net Asset Value per Unit[(5)]	**$**	**21.77**
Closing market price - Preferred	**$**	**15.21**
Closing market price - Class A	**$**	**7.43**

(1) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including harmonized sales tax but excluding transaction fees and Preferred share distributions, divided by the average net asset value, excluding the Redeemable Preferred Share liability. Generally, the MER increases when the Fund becomes smaller in size due to redemptions. The MER, including Preferred share distributions, is 4.94%, 5.07%, 5.43%, 5.19%, 4.92% and 5.50% for 2018, 2017, 2016, 2015, 2014 and 2013 respectively. The MER for 2015 includes the special resolution expense. The MER for 2015 excluding the special resolution expense is 1.18%. The MER for 2013 includes rights offering costs. The MER for 2013 excluding rights offering costs is 1.19%.

As a result of the adoption of International Financial Reporting Standards ("IFRS"), for April 30, 2018, October 31, 2017, 2016, 2015 and 2014, the net assets per Unit presented in the financial statements and the net asset value per Unit calculated weekly are both valued at closing prices. For the year ended October 31, 2013, the net assets per Unit presented in the financial statements differs from the net asset value per Unit calculated weekly, primarily as a result of investments being valued at bid prices for financial statements purposes and at closing prices for weekly net asset value purposes.

Years ended October 31				
2017	2016	2015	2014	2013
$ 21.00	$ 20.79	$ 23.60	$ 21.95	$ 20.53
0.86	0.86	0.87	0.92	0.87
(0.28)	(0.26)	(0.28)	(0.28)	(0.27)
1.56	0.27	0.44	2.40	0.33
1.71	1.02	(2.14)	0.29	2.18
3.85	1.89	(1.11)	3.33	3.11
(0.86)	(0.82)	(0.86)	(0.86)	(0.86)
–	(0.04)	–	–	–
(0.86)	(0.86)	(0.86)	(0.86)	(0.86)
(0.01)	–	–	–	–
(0.80)	(0.81)	(0.81)	(0.81)	(0.81)
(0.81)	(0.81)	(0.81)	(0.81)	(0.81)
(1.67)	(1.67)	(1.67)	(1.67)	(1.67)
$ 23.18	$ 21.00	$ 20.79	$ 23.60	$ 21.94

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), less expenses, excluding Preferred share distributions, and is calculated based on the weighted average number of Units outstanding during the period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of Units outstanding during the period.

(3) Distributions to shareholders are based on the number of shares outstanding on the record date for each distribution.

Years ended October 31				
2017	2016	2015	2014	2013
$ 246.78	$ 223.58	$ 221.40	$ 230.08	$ 213.95
$ 87.12	$ 63.92	$ 61.67	$ 83.84	$ 67.71
10,644,266	10,644,266	10,648,942	9,749,268	9,749,268
1.19%	1.19%	1.22%	1.16%	1.30%
81.74%	144.19%	86.47%	83.84%	76.34%
0.06%	0.11%	0.05%	0.04%	0.05%
$ 23.18	$ 21.00	$ 20.79	$ 23.60	$ 21.95
$ 15.20	$ 15.13	$ 15.14	$ 15.60	$ 15.20
$ 7.73	$ 5.81	$ 6.13	$ 8.31	$ 6.57

(2) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.

(3) Trading expense ratio represents total commissions expressed as percentage of daily average net asset value during the period.

(4) Annualized.

(5) Net Asset Value per Unit is the difference between the aggregate value of the assets including the valuation of securities at closing prices and the aggregate value of the liabilities excluding the Redeemable Preferred Share liability, divided by the number of Units then outstanding.

Management Report of Fund Performance

Management Fees

Strathbridge, as the Investment Manager of the Fund, is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 0.80 percent of the net asset value of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. Strathbridge also makes all decisions as to the purchase and sale of securities in the Fund's portfolio and as to the execution of all portfolio and other transactions.

Strathbridge, as the Manager of the Fund, is entitled to fees under the Management Agreement calculated monthly as 1/12 of 0.10 percent of the net asset value of the Fund at each month end. Services received under the Management Agreement include providing or arranging for required administrative services to the Fund.

Past Performance

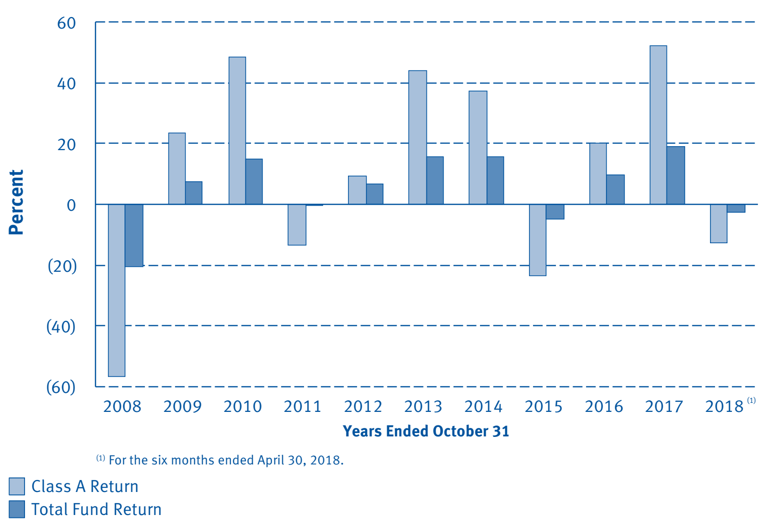
The following chart sets out the Fund's year-by-year past performance. It is important to note that the:

1) information shown assumes that all distributions made by the Fund during these periods were reinvested in Units of the Fund,
2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and
3) past performance of the Fund does not necessarily indicate how it will perform in the future.

Year-By-Year Returns

The following bar chart illustrates how the Fund's total return varied from year to year for each of the past ten years and for the six months ended April 30, 2018. The chart also shows, in percentage terms, how much an investment made on November 1 in each year would have increased or decreased by the end of that fiscal year or April 30, 2018 for the six months ended.

Total Return



Portfolio Manager Report

After lagging most other global equity markets in 2017, the S&P/TSX Composite Index continued to underperform in the first few months of 2018 to finish the semi-annual period ending April 30, 2018 with a total return of negative 1.2 percent. The S&P/TSX Diversified Banks Index performed in-line with the broader market during the period with a total return of negative 0.9 percent. The Canadian banks generated flat to slightly down returns during the period with the Canadian Imperial Bank of Commerce leading with a total return of 0.7 percent while The Bank of Nova Scotia lagged with a total return of negative 3.3 percent.

The Canadian banks on average generated better than expected earnings during the period, reflecting strong net interest income growth aided by higher average earning assets and net interest margins; as well as solid operating leverage. This led to strong profitability ratios for the banks with the Return on Equity for the group coming in at 16.5 percent, its highest level since 2014. The banks also continued to build their capital ratios during the period with each of the banks now in excess capital positions, allowing the group to increase their dividends during the period by an average of 4.6 percent.

The net asset value of the Fund at April 30, 2018 was $21.77 per Unit compared to $23.18 per Unit at October 31, 2017. Preferred shareholders received cash distributions of $0.43125 per share during the period while Class A shareholders received cash distributions of $0.40638 per share. The total return of the Fund, including reinvestment of distributions, for the six months ended April 30, 2018 was negative 2.6 percent.

The Fund maintained its invested position throughout most of the period and ended April 30, 2018 with a cash position of 4.4 percent. Volatility for the Canadian banks increased in the first quarter of 2018 before settling back into the range witnessed over the past few years. As a result, the call writing activity picked up as the Fund on average had 7.8 percent of the portfolio written during the period versus 1.7 percent in the previous period. The Fund generated a net realized gain on options attributable to the Strathbridge Selective Overwriting (“SSO”) strategy of $0.15 per Unit for the six month period.

Management Report of Fund Performance

Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly portfolio summary, which includes the percentage of net asset value for each holding, and a monthly portfolio list are available on our website at www.strathbridge.com.

Asset Mix

April 30, 2018

	% of Net Asset Value*
Financial Institutions	95.3%
Cash	4.4%
Other Assets (Liabilities)	0.3%
	100.0%

*The Net Asset Value excludes the Redeemable Preferred Share liability.

Portfolio Holdings

April 30, 2018

	% of Net Asset Value*
Royal Bank of Canada	20.8%
Bank of Montreal	20.1%
The Bank of Nova Scotia	19.9%
The Toronto-Dominion Bank	17.6%
Canadian Imperial Bank of Commerce	16.9%
Cash	4.4%

*The Net Asset Value excludes the Redeemable Preferred Share liability.

Forward-Looking Statements

This report may contain forward-looking statements about the Fund. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Fund currently anticipates that subsequent events and developments may cause the Fund’s views to change, the Fund does not undertake to update any forward-looking statements.

Management's Responsibility for Financial Reporting

The accompanying condensed financial statements of Premium Income Corporation (the "Fund") and all the information in this semi-annual report are the responsibility of the management of Strathbridge Asset Management Inc. (the "Manager") and have been approved by the Fund's Board of Directors (the "Board").

The condensed financial statements have been prepared by management in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this semi-annual report is consistent with the condensed financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements for the year ended October 31, 2017.

The Manager is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safe guarded and that accounting systems provide timely, accurate and reliable financial information.

The Audit Committee meets periodically with management and the independent auditor to discuss internal controls, the financial reporting process, various auditing and financial reporting matters, and to review the annual report, the financial statements and the independent auditor's report. Deloitte LLP, the Fund's independent auditor, has full and unrestricted access to the Audit Committee and the Board.

John P. Mulvihill
Director
Strathbridge Asset Management Inc.
June 4, 2018

John D. Germain
Director
Strathbridge Asset Management Inc.

Notice to Shareholders

The accompanying unaudited Condensed Financial Statements for the six months ended April 30, 2018 have been prepared by management and have not been reviewed by the independent auditor of the Fund.

Statements of Financial Position

As at April 30, 2018 (Unaudited) and October 31, 2017 (Audited)

	Note	April 30, 2018	Oct. 31, 2017
ASSETS			
Financial assets at fair value through profit or loss	2,3	**$ 207,246,001**	$ 241,588,048
Dividends receivable		**852,325**	863,373
Derivative assets	2,3	**–**	2,429,073
Due from brokers - investments		**–**	1,786,569
Cash		**9,722,369**	385,880
TOTAL ASSETS		**217,820,695**	247,052,943
LIABILITIES			
Accrued liabilities		**89,115**	80,055
Accrued management fees	5	**161,073**	188,797
Redeemable Preferred shares		**149,927,865**	159,663,990
Class B shares		**1,000**	1,000
TOTAL LIABILITIES		**150,179,053**	159,933,842
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES		**$ 67,641,642**	$ 87,119,101
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES PER CLASS A SHARE		**$ 6.7674**	$ 8.1847

The notes are an integral part of the Condensed Financial Statements.

Condensed Financial Statements

Statements of Comprehensive Income

Six months ended April 30 (Unaudited)

	Note	2018	2017
INCOME			
Dividend income		$ 4,297,759	$ 4,521,913
Interest Income		21,799	21,948
Net realized gain on investments at fair value through profit or loss	3	11,620,731	10,098,062
Net realized gain on options at fair value through profit or loss	3	1,452,860	687,805
Net change in unrealized gain/loss on investments at fair value through profit or loss	3	(21,760,103)	4,927,967
TOTAL INCOME/(LOSS), NET		(4,366,954)	20,257,695
EXPENSES			
Management fees	5	1,015,836	1,066,096
Administrative and other expenses		106,428	120,919
Transaction fees	6	123,893	61,962
Custodian fees		26,983	25,362
Audit fees		19,182	18,107
Director fees	5	10,200	10,200
Independent review committee fees	5	3,750	3,659
Legal fees		8,414	4,923
Shareholder reporting costs		21,377	24,186
Harmonized sales tax		116,493	122,831
TOTAL EXPENSES		1,452,556	1,458,245
OPERATING PROFIT/(LOSS)		(5,819,510)	18,799,450
Preferred share distributions		(4,310,426)	(4,590,340)
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES	7	$ (10,129,936)	$ 14,209,110
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES PER CLASS A SHARE	7	$ (1.0135)	$ 1.3349

The notes are an integral part of the Condensed Financial Statements.

Statements of Changes in Net Assets Attributable to Holders of Class A Shares

Six months ended April 30 (Unaudited)

	2018	2017
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES, BEGINNING OF PERIOD	**$ 87,119,101**	$ 63,915,508
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares	**(10,129,936)**	14,209,110
Class A Share Capital Transactions		
Value for Class A shares redeemed	**(5,285,677)**	–
Class A Share Distributions		
From net investment income	**–**	(58,636)
Non-taxable distributions	**(4,061,846)**	(4,266,981)
	(4,061,846)	(4,325,617)
Changes in Net Assets Attributable to Holders of Class A Shares during the Period	**(19,477,459)**	9,883,493
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES, END OF PERIOD	**$ 67,641,642**	$ 73,799,001

The notes are an integral part of the Condensed Financial Statements.

Condensed Financial Statements

Statements of Cash Flows

Six months ended April 30 (Unaudited)

	2018	2017
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**$ 385,880**	$ 6,872,212
Cash Flows Provided by (Used In) Operating Activities		
Operating Profit/(Loss)	**(5,819,510)**	18,799,450
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities		
Net realized gain on investments at fair value through profit or loss	**(11,620,731)**	(10,098,062)
Net realized gain on options at fair value through profit or loss	**(1,452,860)**	(687,805)
Net change in unrealized gain/loss on investments at fair value through profit or loss	**21,760,103**	(4,927,967)
Increase/(decrease) in dividends receivable	**1,797,617**	(29,722)
Decrease in accrued liabilities and accrued management fees	**(18,664)**	(21,301)
Purchase of investment securities	**(78,919,991)**	(109,076,686)
Proceeds from disposition of investment securities	**107,004,599**	113,011,076
	38,550,073	(11,830,467)
Cash Flows Used In Financing Activities		
Preferred share distributions	**(4,310,426)**	(4,590,340)
Class A share distributions	**(4,061,846)**	(4,325,617)
Preferred share redemptions	**(9,736,125)**	(70,140)
Class A share redemptions	**(5,285,677)**	(28,078)
	(23,394,074)	(9,014,175)
Net Increase/(Decrease) in Cash and Equivalents during the Period	**9,336,489**	(2,045,192)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 9,722,369**	$ 4,827,020
Cash and Cash Equivalents are comprised of:		
Cash	**$ 9,722,369**	$ 632,526
Short-Term Investments	**–**	4,194,494
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 9,722,369**	$ 4,827,020
Dividends received	**$ 4,308,807**	$ 4,492,191
Interest received	**$ 21,799**	$ 22,072

The notes are an integral part of the Condensed Financial Statements.

Schedule of Investments

As at April 30, 2018 (Unaudited)

	Number of Shares	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Class A Shares and Redeemable Preferred Shares
INVESTMENTS				
Canadian Common Shares				
Financials				
Bank of Montreal	448,500	$ 42,065,733	$ 43,733,235	
Canadian Imperial Bank of Commerce	328,400	36,324,914	36,724,972	
Royal Bank of Canada	463,000	40,304,708	45,207,320	
The Bank of Nova Scotia	547,800	39,739,922	43,232,376	
The Toronto-Dominion Bank	531,800	36,250,037	38,348,098	
Total Financials		194,685,314	207,246,001	95.3%
Total Canadian Common Shares		$ 194,685,314	$ 207,246,001	95.3%
Adjustment for transaction fees		(58,387)		
TOTAL INVESTMENTS		$ 194,626,927	$ 207,246,001	95.3%
OTHER NET ASSETS			10,323,506	4.7%
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES AND REDEEMABLE PREFERRED SHARES			$ 217,569,507	100.0%

Notes to Condensed Financial Statements

April 30, 2018 (Unaudited)

1. Basis of Presentation

The condensed semi-annual financial statements for the Premium Income Corporation (the "Fund") have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standard ("IAS") 34 Interim Financial Reporting. However, not all disclosures required by IFRS for annual financial statements have been presented and, accordingly, these condensed semi-annual financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended October 31, 2017.

These condensed semi-annual financial statements follow the same accounting policies and method of application as the most recent audited financial statements for the year ended October 31, 2017.

These condensed financial statements were approved by the Board of Directors on June 4, 2018.

2. Risks Associated with Financial Instruments

The various types of risks that are associated with its investment strategies, financial instruments and markets in which the Fund invests remain unchanged from the prior year and are described in Note 6 of the audited financial statements for the year ended October 31, 2017.

Credit Risk

During the periods ended April 30, 2018 and October 31, 2017, the counterparties to the Fund's derivative financial instruments had a credit rating of A-1 or higher by Standard & Poor's Ratings Services.

Liquidity Risk

The amounts in the table are the contractual undiscounted cash flows:

	As at April 30, 2018 Financial Liabilities On Demand	‹ 3 months	Total
Accrued liabilities	$ –	$ 89,115	$ 89,115
Accrued management fees	–	161,073	161,073
Redeemable Preferred shares	149,927,865	–	149,927,865
Class B shares	1,000	–	1,000
Class A shares	67,641,642	–	67,641,642
	$ 217,570,507	$ 250,188	$ 217,820,695

	As at October 31, 2017 Financial Liabilities On Demand	‹ 3 months	Total
Accrued liabilities	$ –	$ 80,055	$ 80,055
Accrued management fees	–	188,797	188,797
Redeemable Preferred shares	159,663,990	–	159,663,990
Class B shares	1,000	–	1,000
Class A shares	87,119,101	–	87,119,101
	$ 246,784,091	$ 268,852	$ 247,052,943

Market Risk

a) Price Risk

Approximately 95 percent (October 31, 2017 - 98 percent) of the Fund's net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, held at April 30, 2018 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at April 30, 2018, the net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, would have increased or decreased by $10.4 million (October 31, 2017 - $12.1 million) respectively or 4.8 percent (October 31, 2017 - 4.9 percent) of the net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, with all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

Concentration Risk

Concentration risk arises as a result of the concentration of exposures with the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk:

	April 30, 2018	Oct. 31, 2017
Financials	100.0%	100.0%

Fair Value Measurement

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at April 30, 2018 and October 31, 2017.

As at April 30, 2018

	Level 1	Level 2	Level 3	Total
Canadian Common Shares	$ 207,246,001	$ –	$ –	$ 207,246,001

As at October 31, 2017

	Level 1	Level 2	Level 3	Total
Canadian Common Shares	$ 241,588,048	$ –	$ –	$ 241,588,048
Options	–	2,429,073	–	2,429,073
	$ 241,588,048	$ 2,429,073	$ –	$ 244,017,121

There were no transfers between Level 1 and Level 2 and the Fund did not hold any financial instruments within Level 3 of the fair value hierarchy during the six months ended April 30, 2018 and during the year ended October 31, 2017.

Notes to Condensed Financial Statements

April 30, 2018 (Unaudited)

3. Financial Instruments by Category

The following tables present the carrying amounts of the Fund's financial instruments by category as at April 30, 2018 and October 31, 2017.

As at April 30, 2018

	Financial Instruments at FVTPL: Designated at Inception	Financial Instruments at FVTPL: Held for Trading	Financial Instruments at Amortized Cost	Total
Assets				
Non-derivative financial assets	$ 207,246,001	$ –	$ –	$ 207,246,001
Dividends receivable	–	–	852,325	852,325
Cash	–	–	9,722,369	9,722,369
	$ 207,246,001	$ –	$ 10,574,694	$ 217,820,695
Liabilities				
Accrued liabilities	$ –	$ –	$ 89,115	$ 89,115
Accrued management fees	–	–	161,073	161,073
Redeemable Preferred shares	–	–	149,927,865	149,927,865
Class B shares	–	–	1,000	1,000
Class A shares	–	–	67,641,642	67,641,642
	$ –	$ –	$ 217,820,695	$ 217,820,695

As at October 31, 2017

	Financial Instruments at FVTPL: Designated at Inception	Financial Instruments at FVTPL: Held for Trading	Financial Instruments at Amortized Cost	Total
Assets				
Non-derivative financial assets	$ 241,588,048	$ –	$ –	$ 241,588,048
Derivative assets	–	2,429,073	–	2,429,073
Due from brokers - investments	–	–	1,786,569	1,786,569
Dividends receivable	–	–	863,373	863,373
Cash	–	–	385,880	385,880
	$ 241,588,048	$ 2,429,073	$ 3,035,822	$ 247,052,943
Liabilities				
Accrued liabilities	$ –	$ –	$ 80,055	$ 80,055
Accrued management fees	–	–	188,797	188,797
Redeemable Preferred shares	–	–	159,663,990	159,663,990
Class B shares	–	–	1,000	1,000
Class A shares	–	–	87,119,101	87,119,101
	$ –	$ –	$ 247,052,943	$ 247,052,943

The following table presents the net gain/(loss) on financial instruments at FVTPL by category for the six months ended April 30, 2018 and 2017.

		April 30, 2018		April 30, 2017
Net Realized Gain on Financial Instruments at FVTPL				
Designated at Inception	$	11,620,731	$	10,098,062
Held for Trading		1,452,860		687,805
		13,073,591		10,785,867
Net Change in Unrealized Gain/(Loss) on Financial Assets at FVTPL				
Designated at Inception		(20,023,714)		4,451,734
Held for Trading		(1,736,389)		476,233
		(21,760,103)		4,927,967
Net Gain/(Loss) on Financial Instruments at FVTPL	$	(8,686,512)	$	15,713,834

4. Shares

For the six months ended April 30, 2018, cash distributions paid to Preferred shareholders were $4,310,426 (April 30, 2017 - $4,590,340) representing a payment of $0.43 (April 30, 2017 - $0.43) per Preferred share and cash distributions paid to Class A shareholders were $4,061,846 (April 30, 2017 - $4,325,617) representing a payment of $0.41 (April 30, 2017 - $0.41) per Class A share.

During the six months ended April 30, 2018, 649,075 (April 30, 2017 - nil) Units were redeemed with a total retraction value of $15,021,802 (April 30, 2017 - nil).

During the six months ended April 30, 2018 and the year ended October 31, 2017, share transactions are as follows:

	April 30, 2018	Oct. 31, 2017
Redeemable Preferred Shares		
Shares outstanding, beginning of period	10,644,266	10,644,266
Shares redeemed	(649,075)	–
Shares outstanding, end of period	9,995,191	10,644,266
Class A Shares		
Shares outstanding, beginning of period	10,644,266	10,644,266
Shares redeemed	(649,075)	–
Shares outstanding, end of period	9,995,191	10,644,266
Class B Shares		
Shares outstanding, beginning and end of period	1,000	1,000

Notes to Condensed Financial Statements

April 30, 2018 (Unaudited)

5. Related Party Transactions

a) Management Fees

Total management fees for the six months ended April 30, 2018 were $1,015,836 (April 30, 2017 - $1,066,096) of which $161,073 (April 30, 2017 - $172,840) was unpaid.

b) Director Fees

Total director fees paid to the external members of the Board of Directors for the six months ended April 30, 2018 were $10,200 (April 30, 2017 - $10,200).

c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the six months ended April 30, 2018 were $3,750 (April 30, 2017 - $3,659).

6. Brokerage Commissions and Soft Dollars

The ascertainable soft dollar value received as a percentage of total transaction fees paid during the six months ended April 30, 2018 and 2017 is disclosed below:

	April 30, 2018	April 30, 2017
Soft Dollars	$ 37,474	$ 35,584
Percentage of Total Transaction Fees	30.2%	57.4%

7. Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares per Class A Share

The increase/(decrease) in net assets attributable to holders of Class A shares per Class A share for the six months ended April 30, 2018 and 2017 is calculated as follows:

	April 30, 2018	April 30, 2017
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares	$ (10,129,936)	$ 14,209,110
Weighted Average Number of Class A Shares Outstanding during the Period	9,995,191	10,644,266
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares per Class A Share	$ (1.0135)	$ 1.3349

8. Future Accounting Policy Changes

IFRS 9 Financial Instruments ("IFRS 9") issued in July 2014, replaces the existing guidance in IAS 39. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. It is effective for annual periods beginning on or after January 1, 2018. The Fund plans to adopt the new standard the date it becomes effective.

Classification and Measurement of Financial Assets and Financial Liabilities

Under IFRS 9, classification and measurement of financial assets will be driven by the Fund's business model for managing them and their contractual cash flows. Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

IFRS 9 largely retains the existing requirements for classification and measurement of financial liabilities. However, unlike IAS 39 where all fair value changes of liabilities designated at fair value through profit or loss are recognized in profit or loss, under IFRS 9, fair value changes related to changes in the issuer's own credit risk will be presented in other comprehensive income.

Based on the Fund's initial assessment, IFRS 9 is not expected to have a material impact on classification and measurement of financial instruments, since the Fund makes decisions based on the assets' fair values and manages the assets to realize those fair values. As such the majority of the Fund's financial assets will continue to be measured at FVTPL. In addition, derivatives will continue to be measured at FVTPL.

Impairment of Financial Assets

IFRS 9 also introduces the expected credit loss ("ECL") model for impairment of financial assets measured at amortized cost and debt instruments measured at FVOCI. The ECL impairment model will not have a material impact to the Fund's financial assets given that the majority of the Fund's financial assets will continue to be measured at FVTPL.

Hedge Accounting

The Fund does not apply hedge accounting, therefore, IFRS 9 hedge accounting related changes do not have an impact on the Fund's financial statements.

Based on the Fund's initial assessment, IFRS 9 is not expected to have a material impact to the Fund's financial statements.

Investment Funds Managed by Strathbridge Asset Management Inc.

UNIT TRUSTS

Canadian Utilities & Telecom Income Fund (UTE.UN)
Core Canadian Dividend Trust (CDD.UN)
Low Volatility U.S. Equity Income Fund (LVU.UN)
NDX Growth & Income Fund (NGI.UN)
U.S. Financials Income Fund (USF.UN)
Top 10 Canadian Financial Trust (TCT.UN)

SPLIT SHARES

Premium Income Corporation (PIC.PR.A/PIC.A)
S Split Corp. (SBN.PR.A/SBN)
Top 10 Split Trust (TXT.PR.A/TXT.UN)
World Financial Split Corp. (WFS.PR.A/WFS)

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Visit our website at www.strathbridge.com for additional information on all Strathbridge Investment Funds.