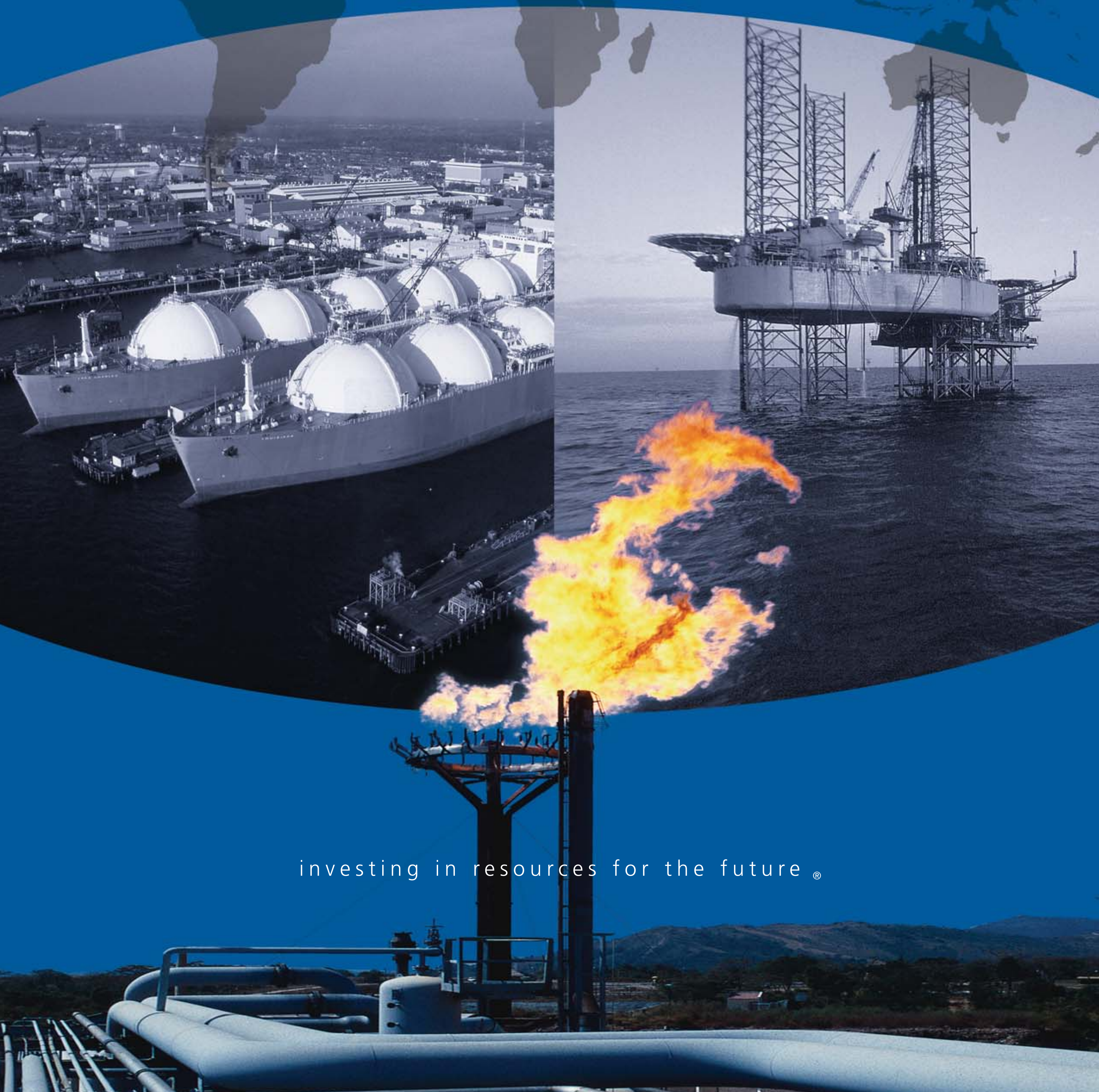
Annual Report 2004

Petroleum & Resources Corporation®



THE CORPORATION

- a closed-end equity investment company emphasizing natural resources stocks
- objectives: preservation of capital
  reasonable income
  opportunity for capital gain
- internally-managed
- low expense ratio
- low turnover

STOCK DATA (12/31/04)

NYSE Symbol	PEO
Market Price	$25.78
52-Week Range	$21.95–$27.38
Discount	8.5%
Shares Outstanding	21,979,676

SUMMARY FINANCIAL INFORMATION

	Year Ended December 31	
	2004	**2003**
Net asset value per share	$ 28.16	$ 24.06
Total net assets	618,887,401	522,941,279
Unrealized appreciation	275,422,891	185,072,550
Net investment income	8,924,453	8,134,186
Total realized gain	18,979,327	17,219,079
Total return (based on market value)	14.4%	30.8%
Total return (based on net asset value)	23.3%	21.2%
Expense ratio	0.56%	0.74%

2004 DIVIDENDS AND DISTRIBUTIONS

Paid	**Amount (per share)**	**Type**
March 1, 2004	$0.07	Long-term capital gain
March 1, 2004	0.02	Short-term capital gain
March 1, 2004	0.04	Investment income
June 1, 2004	0.13	Investment income
September 1, 2004	0.13	Investment income
December 27, 2004	0.79	Long-term capital gain
December 27, 2004	0.14	Investment income
	$1.32	

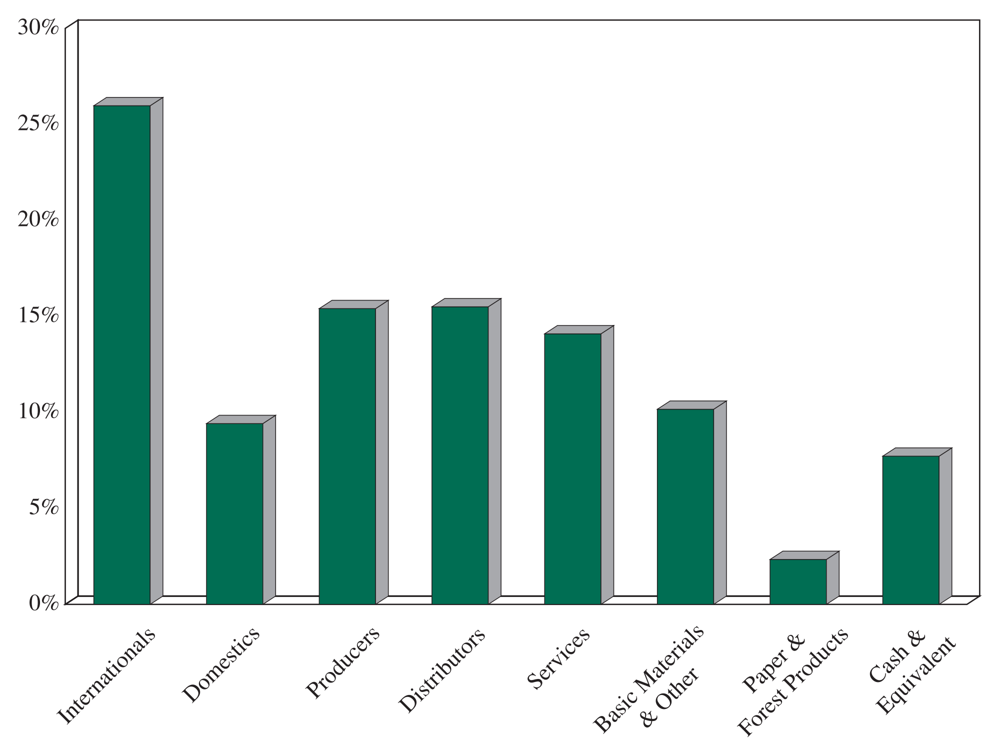
2005 ANNUAL MEETING OF STOCKHOLDERS

Location: The Radisson Hotel at Cross Keys, Baltimore, Maryland
Date: April 27, 2005
Time: 11:00 a.m.

TEN LARGEST PORTFOLIO HOLDINGS (12/31/04)

	Market Value	*% of Net Assets*
Exxon Mobil Corp.	$ 53,823,000	8.7
BP plc ADR	35,040,000	5.7
ChevronTexaco Corp.	32,818,750	5.3
ConocoPhillips	26,049,000	4.2
Royal Dutch Petroleum Co. ADR	22,952,000	3.7
Schlumberger Ltd.	18,746,000	3.0
BJ Services Co.	17,219,800	2.8
General Electric Co.	16,600,200	2.7
Devon Energy Corp.	15,468,365	2.5
Equitable Resources Inc.	15,165,000	2.4
Total	$253,882,115	41.0%

SECTOR WEIGHTINGS (12/31/04)

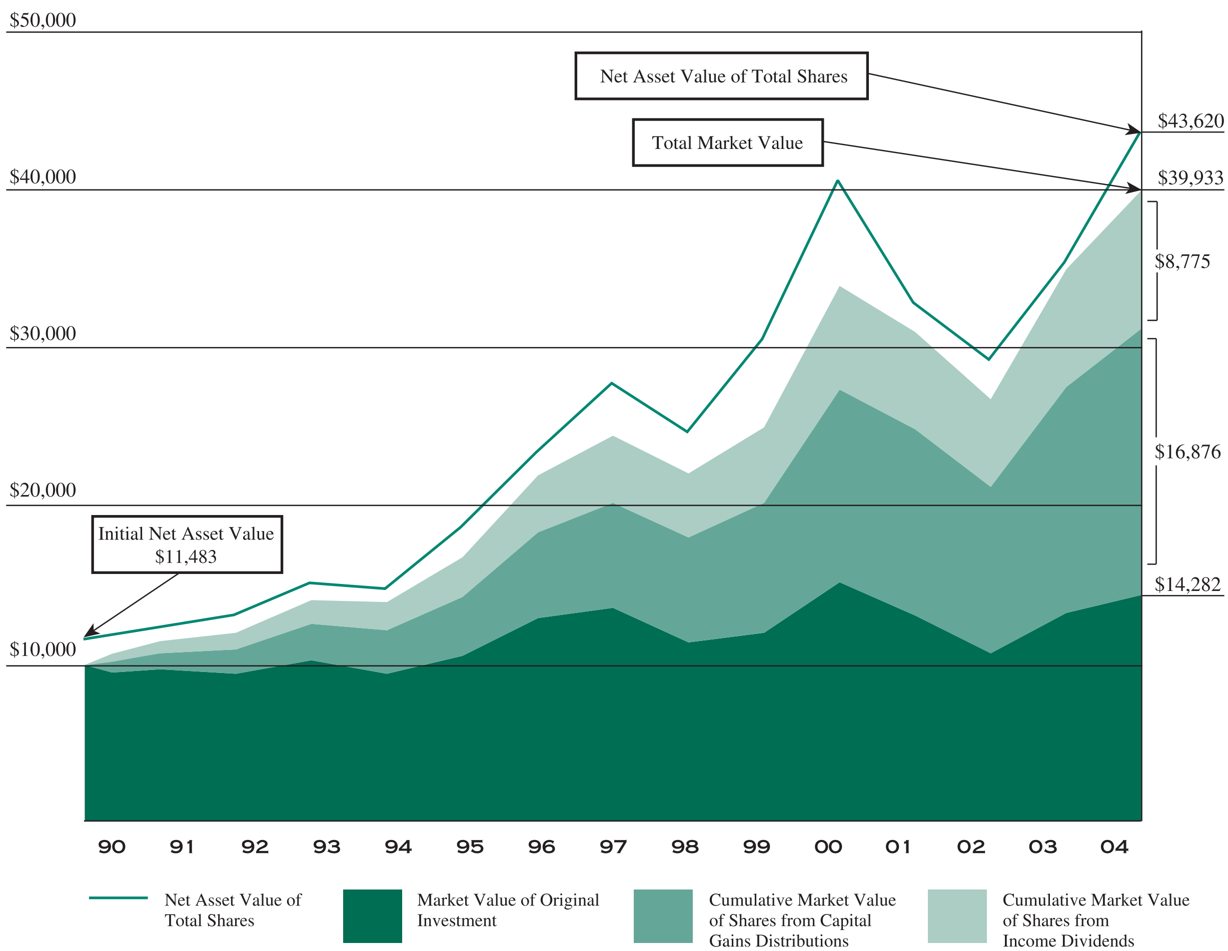


Calendar Years	Market value of original shares	Cumulative market value of capital gains distributions taken in shares	Cumulative market value of income dividends taken in shares	Total market value	Total net asset value
1990	$ 9,280	$ 463	$ 375	$10,118	$11,512
1991	9,601	1,015	752	11,368	12,276
1992	9,324	1,547	1,045	11,916	13,056
1993	10,155	2,311	1,501	13,967	15,057
1994	9,324	2,729	1,799	13,852	14,726
1995	10,432	3,747	2,505	16,684	18,612
1996	12,836	5,427	3,609	21,872	23,342
1997	13,479	6,664	4,261	24,404	27,723
1998	11,313	6,627	4,073	22,013	24,651
1999	11,911	8,220	4,788	24,919	30,505
2000	15,130	12,186	6,576	33,892	40,568
2001	12,997	11,817	6,130	30,944	32,843
2002	10,626	10,540	5,533	26,699	29,204
2003	13,152	14,342	7,427	34,921	35,392
2004	14,282	16,876	8,775	39,933	43,620

ILLUSTRATION OF AN ASSUMED 15 YEAR INVESTMENT OF $10,000

(unaudited)

Investment income dividends and capital gains distributions are taken in additional shares. This chart covers the years 1990–2004. Fees for the reinvestment of interim dividends are assumed as 2% of the amount reinvested (maximum of $2.50) and commissions of $0.05 per share. There is no charge for reinvestment of year-end distributions. No adjustment has been made for any income taxes payable by stockholders on income dividends or on capital gains distributions or the sale of any shares. These results should not be considered representative of the dividend income or capital gain or loss which may be realized in the future.



For the third consecutive year, the major energy indices outperformed the Dow Jones Industrial Average and the S&P 500 Index. In this annual report we share with you our performance for the past year and provide our current perspective on the energy markets.

THE YEAR IN REVIEW

Performance

Petroleum & Resources outperformed both the S&P 500 Index and the Dow Jones Industrial Average in 2004. Most of the investments in the Fund benefited from the surging demand and price environment for oil and gas. The return on net assets, including income and capital gains distributions for the calendar year, was an exceptional 23.3%, far surpassing the 10.9% return for the S&P 500 and the 5.3% return of the Dow Industrials. On a market value basis, the Fund's return was 14.4%. Strong supply/demand dynamics and the geopolitical turmoil in major oil-producing countries continued to drive oil and gas equities. Our cash position, non-energy holdings, and our positions in international companies not included in the Index caused us to lag the Dow Jones Energy Index for the entire year. Through December 17, 2004, the Fund's total return was 22.2% compared to the Energy Index's 28.3%. On December 20, Dow Jones discontinued publishing the Energy Index and established a new Oil and Gas Index in its place, with no representation of coal companies. For comparative purposes, in the remainder of this letter references to annual returns of the sectors of the Fund and the Dow Jones Energy Index will be for the year through December 17.

Following a strong rebound in the fourth quarter of 2003, energy stocks continued to outperform in 2004. The first quarter witnessed an increase in the Petroleum & Resources portfolio of 3.3% compared to a 1.7% rise in the S&P and a modest decline in the Dow Jones Industrial Average. Benefiting from the perception of supply constraints in the market and the drilling programs of the oil companies, oil service and equipment companies in our portfolio gained 16% in the quarter, besting the 13% return of the service subsector of the Dow Jones Energy Index. Within the Energy Index, the stronger performance shifted to exploration and production companies during the second quarter, providing a return of 13%. Strong demand and apparent supply constraints biased the stocks upward through the third quarter of the year. The hurricane season pressured an already tight supply/demand balance and drove energy prices higher in the second half of the year, with commodity prices peaking in October. Equity prices in general reflected the commodity move upward, but to a lesser degree. Companies focused primarily on finding and developing oil and gas reserves, however, experienced stock movements greater than the commodity prices. Our holdings in Amerada Hess, Burlington Resources and Devon each gained more than 57%. The larger, more diversified oil companies returned 21.8% during the same time period, with Exxon Mobil, ChevronTexaco and BP delivering the best performance of the international oil stocks in our portfolio. Our investments in the underperforming equities of Royal Dutch/Shell, which are not included in the Energy Index, were a significant drag on the portfolio's performance. Coal prices and stocks also rose during the year, reflecting rising demand and a strong pricing environment.

Pipelines continued to recover financially in 2004, resulting in a 21.7% increase in the pipeline stocks in the Energy Index and a 65% increase in our pipeline holdings. Utilities also participated in the move as their index rose 20.2% during the year and our holdings, led by utilities with exploration and production exposure, increased 22%. The final month of the year witnessed a correction in oil and gas prices. During December, energy stocks underperformed the general market due to an oil price decline of 11% and a 19% price correction in natural gas. Warm weather and sizable crude and product inventories tempered enthusiasm for oil and gas stocks as 2004 drew to a close. While increasing during the year, our chemical and paper holdings delivered returns lower than those provided by energy stocks. The materials sector of our portfolio gained 9% and industrial stocks, led by General Electric, returned 19%.

Oil Industry

At year-end 2003, our outlook for 2004 was for oil prices to settle in the upper end of the $22-$28 range and perhaps to correct more as OPEC production increased. This estimate seemed lofty at the time but was justified by low inventories and rising worldwide demand. However, tight crude and product inventories, stronger than anticipated demand, especially from China, and a large speculative market all conspired to drive oil prices higher than we and most other analysts anticipated. The actual average price realization in 2004 for oil was $41.25 per barrel.

The year was characterized by volatility and extremes. The early months of the year saw a trading range for crude oil of $32-$36 per barrel due to a tight crude oil market, low inventories and the OPEC resolution to lower its production quota. Demand both in China and in the U.S. gasoline market influenced the upward move in oil prices. Unrest in Iraq and other countries such as Nigeria, Venezuela and Saudi Arabia contributed to the speculative component of the crude price.

As the year progressed, OPEC increased the quota three times, to a level of 27 million barrels per day by November. Production levels exceeded quotas for most of the year but record prices for crude and gasoline continued. The low U.S. crude inventories were not replenished early in the year and the severe hurricane season exacerbated the domestic crude supply problem. Hurricanes Charley, Frances and Ivan inflicted severe damage on the Gulf Coast and caused major delays in oil shipments and the temporary shutdown of refineries. While the oil production losses along the coast were minimal, the incremental disruption to supply only brought more pressure to bear on the markets. Compounding the hurricane season's effect was the news that Russia's biggest oil-exporting company, Yukos, might be forced to halt operations due to tax debts. The tight oil markets could not absorb the potential Yukos loss, as it supplied 2% of the world market. By the final quarter of the year, these new pressures, added to strong demand, the uncertain flow of oil exports from Iraq, Venezuelan political instability and a Nigerian labor strike all converged on the markets. The benchmark for U.S. crude, West Texas Intermediate, soared to $55 per barrel on October 22. Since that peak, higher OPEC output, warm East Coast weather, and the return to production of a large portion of the Gulf of Mexico combined to replenish U.S. crude oil inventories. Prices corrected and ended the year at $42.15 per barrel, 33% higher than the start of the year. Petroleum product prices such as gasoline also set record prices and, despite the decline in December, ended the year 20% higher than at the beginning of the year.

Natural Gas and Coal

Natural gas prices increased during 2004 but to a much lesser extent than crude and averaged $5.89 per thousand cubic feet for the year, or a 10% increase over the prior year. Prices spiked early in the year as cold weather and expectations for strong industrial demand prevailed. Helped by crude oil prices, natural gas sustained mid $5 per thousand cubic feet pricing despite weather not being much of a factor and healthy inventory levels as the winter heating season ended. Long term concern regarding U.S. natural gas production continues to be reflected in pricing. The domestic industry has not experienced incremental production increases in recent years despite active drilling programs. The marginal cost to produce natural gas rose during 2004, reflecting the continued maturation of the North American producing base. Liquefied natural gas (LNG) imports, though still representing less than 2% of U.S. gas demand, increased during the year. Natural gas pricing drifted lower during the early summer months until the frequency and severity of hurricanes curtailed output in the Gulf of Mexico. Since approximately 30% of North American gas production is from the Gulf Region, the hurricane-related shutdowns had an immediate impact. While most of the lost production was temporary, the concern over the lack of spare production capacity was heightened. Prices remained strong into the beginning of the heating season and closed the year just over $6 per thousand cubic feet. Coal prices increased again in 2004, with spot prices almost double those of 2002. Improved supply/demand conditions in key producing regions led to the increases both in spot and contract prices, especially in the Northern and Central Appalachian basins.

INVESTMENT RESULTS

Net assets of the Corporation on December 31, 2004 were $618,887,401 or $28.16 per share on 21,979,676 shares outstanding. This compares with $522,941,279 or $24.06 per share on 21,736,777 shares outstanding a year earlier.

Net investment income for 2004 was $8,924,453 compared to $8,134,186 for 2003. These earnings are equivalent to $0.41 and $0.38 per share, respectively, on the average number of shares outstanding throughout each year. In 2004, our 0.56% expense ratio (expenses to average net assets) was once again at a low level compared to the industry.

Net realized gains amounted to $18,979,327 during the year, while the unrealized appreciation on investments increased from $185,072,550 at December 31, 2003 to $275,422,891 at year end, a 49% increase.

DIVIDENDS AND DISTRIBUTIONS

Total dividends and distributions paid in 2004 were $1.32 per share compared to $1.19 in 2003. As announced on November 13, 2004, a year-end distribution consisting of investment income of $0.14 and capital gains of $0.79 was made on December 27, 2004, both realized and taxable in 2004. On January 13, 2005, an additional distribution of $0.13 per share was declared payable March 1, 2005, representing the balance of undistributed net investment income and capital gains earned in 2004 and an initial distribution from 2005 net investment income, all taxable to shareholders in 2005.

OUTLOOK FOR 2005

Crude Oil

The relentless rise in commodity prices, particularly oil and gas, has contributed to strong stock performance in the energy industry for the past three years. Many of the factors that contributed to the rise in prices are still in effect. However, the initial move in crude prices in 2005 was a $3 decline as inventories were high and weather, especially in the Northeast, was warm, resulting in less use of home heating fuels. OPEC (excluding Iraq) entered the year promising to curtail production to prevent significant inventory builds. The organization will meet early in the year to determine the appropriate quota necessary to maintain a desired price level. While the official price range is lower, it is believed that a U.S. price below $40 will trigger a quota reduction. Supply from Russia and the changes within Yukos and the Russian government will influence worldwide supply. Supply changes due to conflicts and disruptions in the Middle East, Nigeria and Venezuela cannot currently be quantified but the premium to normalized oil prices resulting from the uncertainty will remain. Worldwide demand growth is expected to remain strong. China accounted for 40% of the incremental demand last year and the sustainability of growth in China, as well as India and other growth markets, is crucial to supporting high oil prices. Current robust demand and the lack of increases in productive capacity, combined with the unknown geopolitical issues, contribute to a strong price outlook. U.S. demand remains strong despite the jump in crude and gasoline prices. However, a slowdown in China is likely, especially in the second half of 2005, and OPEC's compliance with its quotas may again set the price. Our 2005 outlook for oil prices is a wide range of $35-$40 for the year. If Saudi Arabia defends the market coincident with terrorist threats and other supply disruptions threatening the supply/demand balance, the near term floor price is likely to be $30 per barrel, a figure which used to be considered high.

Natural Gas and Coal

Prices for natural gas early in the year will be significantly influenced by weather. Inventories are abundant and the absence of cold weather in the Northeast is creating pressure on the commodity. One year ago, natural gas prices were approximately $1 lower and the weather was much colder, reflecting the correlation to crude oil pricing. The lack of new sources of gas entering the supply stream and rising costs for developing new supplies provide support for current prices. Exploration and production companies will continue to spend for new reserves at the same time the larger integrated companies are concentrating on LNG projects. Over the next year, natural gas volumes and pricing will vary with crude prices, weather and inventory levels. Our estimate is for a slightly lower gas price this year, dropping to $5.75 for an average as compared to $5.89 for 2004. An anticipated pickup in industrial demand should offset lower weather-related demand. Coal prices should remain strong throughout the year as prices reflect strong demand. Underinvestment in coal facilities as well as complex permitting procedures slowed the investment in reserve development in recent years. The pricing environment will reflect that dynamic as economic growth, especially from the steel industry, pressures prices during the next year. Longer term, the comparative cost advantage of coal versus oil and gas should provide a strong operating environment for coal.

In anticipation of lower average prices for oil and natural gas, we have reduced our holdings in a number of the exploration and development companies, whose performance is generally more tied to commodity prices. Investments have been redirected to international and domestic integrated companies as well as oil service companies. The large integrated companies should report lesser declines in income due to lower oil prices. The drillers and service companies are expected to continue to benefit from higher levels of exploration activity both domestically and abroad. We have avoided many basic materials stocks due to the volatility of metal and other materials prices. As these begin to stabilize at reasonable levels, there may be opportunities to invest more in the sector.

As noted, investment returns from the energy sector have been exceptional for three years in a row. After a long period of under-appreciation by investors, valuations are now more appropriate given the prospects of the companies. We expect strong earnings from the sector in 2005, barring unforeseen events, and therefore the stocks should perform reasonably well. General market returns are expected to be in the 7-10% range for the year; we anticipate that for the fourth year in a row the energy sector will do as well as, if not better than, the market as a whole.

SHARE REPURCHASE PROGRAM

On December 9, 2004, the Board of Directors authorized the repurchase by management of an additional 5% of the outstanding shares of the Corporation over the ensuing year. The repurchase program is subject to the restriction that shares can only be repurchased when the discount of the market price of the shares from the net asset value is 6.5% or greater.

From the beginning of 2005 through January 20, 2005, 13,500 shares have been repurchased under the program.

The proxy statement for the Annual Meeting of Stockholders to be held in Baltimore, Maryland on April 27, 2005, is expected to be mailed on or about March 15, 2005.

By order of the Board of Directors,

Douglas G. Ober,

Chairman, President and
Chief Executive Officer

January 21, 2005

December 31, 2004

Assets		
Investments* at value:		
Common stocks and convertible securities (cost $295,546,819)	$571,166,010	
Short-term investments (cost $47,946,427)	47,946,427	
Securities lending collateral (cost $28,685,423)	28,685,423	$647,797,860
Cash		243,619
Dividends and interest receivable		675,530
Prepaid pension cost		985,707
Prepaid expenses and other assets		475,140
Total Assets		650,177,856
Liabilities		
Open written option contracts at value (proceeds $371,450)		567,750
Obligations to return securities lending collateral		28,685,423
Accrued expenses and other liabilities		2,037,282
Total Liabilities		31,290,455
Net Assets		$618,887,401

Net Assets	
Common Stock at par value $1.00 per share, authorized 50,000,000 shares; issued and outstanding 21,979,676 shares	$ 21,979,676
Additional capital surplus	318,979,253
Undistributed net investment income	746,047
Undistributed net realized gain on investments	1,759,534
Unrealized appreciation on investments	275,422,891
Net Assets Applicable to Common Stock	$618,887,401
Net Asset Value Per Share of Common Stock	$28.16

* See schedule of investments on pages 13 through 15.

The accompanying notes are an integral part of the financial statements.

Year Ended December 31, 2004

Investment Income	
Income:	
Dividends	$ 11,213,106
Interest and other income	867,476
Total income	12,080,582
Expenses:	
Investment research	1,289,464
Administration and operations	699,039
Directors' fees	273,875
Reports and stockholder communications	220,322
Transfer agent, registrar and custodian expenses	159,345
Auditing and accounting services	81,728
Legal services	70,300
Occupancy and other office expenses	146,979
Travel, telephone and postage	64,637
Other	150,440
Total expenses	3,156,129
Net Investment Income	8,924,453
Realized Gain and Change in Unrealized Appreciation on Investments	
Net realized gain on security transactions	18,979,327
Change in unrealized appreciation on investments	90,350,341
Net Gain on Investments	109,329,668
Change in Net Assets Resulting from Operations	$118,254,121

The accompanying notes are an integral part of the financial statements.

	For the Year Ended	
	Dec. 31, 2004	Dec. 31, 2003
From Operations:		
Net investment income	$ 8,924,453	$ 8,134,186
Net realized gain on investments	18,979,327	17,219,079
Change in unrealized appreciation on investments	90,350,341	66,291,943
Change in net assets resulting from operations	118,254,121	91,645,208
Distributions to Stockholders From:		
Net investment income	(9,536,803)	(8,108,325)
Net realized gain from investment transactions	(19,037,472)	(17,260,893)
Decrease in net assets from distributions	(28,574,275)	(25,369,218)
From Capital Share Transactions:		
Value of shares issued in payment of distributions	9,629,174	9,783,141
Cost of shares purchased (note 4)	(3,362,898)	(4,393,315)
Change in net assets from capital share transactions	6,266,276	5,389,826
Total Increase in Net Assets	95,946,122	71,665,816
Net Assets:		
Beginning of year	522,941,279	451,275,463
End of year (including undistributed net investment income of $746,047 and $1,500,752, respectively)	$618,887,401	$522,941,279

The accompanying notes are an integral part of the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Petroleum & Resources Corporation (the Corporation) is registered under the Investment Company Act of 1940 as a non-diversified investment company. The Corporation's investment objectives as well as the nature and risk of its investment transactions are set forth in the Corporation's registration statement.

Security Valuation — Investments in securities traded on national securities exchanges are valued at the last reported sale price on the day of valuation. Over-the-counter and listed securities for which a sale price is not available are valued at the last quoted bid price. Short-term investments (excluding purchased options) are valued at amortized cost. Purchased and written options are valued at the last quoted asked price.

Security Transactions And Investment Income — Investment transactions are accounted for on the trade date. Gain or loss on sales of securities and options is determined on the basis of identified cost. Dividend income and distributions to shareholders are recognized on the ex-dividend date, and interest income is recognized on the accrual basis.

2. FEDERAL INCOME TAXES

The Corporation's policy is to distribute all of its taxable income to its shareholders in compliance with the requirements of the Internal Revenue Code applicable to regulated investment companies. Therefore, no federal income tax provision is required. For federal income tax purposes, the identified cost of securities at December 31, 2004 was $372,148,846, and net unrealized appreciation aggregated $275,649,014, of which the related gross unrealized appreciation and depreciation were $283,381,833 and $7,732,819, respectively. As of December 31, 2004, the tax basis of distributable earnings was $1,031,243 of undistributed ordinary income and $1,296,861 of undistributed long-term capital gain.

Distributions paid by the Corporation during the year ended December 31, 2004 were classified as ordinary income of $9,971,538 and capital gain of $18,602,737. In comparison, distributions paid by the Corporation during the year ended December 31, 2003 were classified as ordinary income of $8,321,192 and capital gain of $17,048,026. The distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. Accordingly, periodic reclassifications are made within the Corporation's capital accounts to reflect income and gains available for distribution under income tax regulations.

3. INVESTMENT TRANSACTIONS

The Corporation's investment decisions are made by a committee, and no one person is primarily responsible for making recommendations to that committee.

Purchases and sales of portfolio securities, other than options and short-term investments, during the year ended December 31, 2004 were $72,588,871 and $67,947,551, respectively. Options may be written (sold) or purchased by the Corporation. The Corporation, as writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option. The risk associated with purchasing an option is limited to the premium originally paid. A schedule of outstanding option contracts as of December 31, 2004 can be found on page 16.

Transactions in written covered call and collateralized put options during the year ended December 31, 2004 were as follows:

	Covered Calls		Collateralized Puts	
	Contracts	Premiums	Contracts	Premiums
Options outstanding, December 31, 2003	550	$ 62,932	350	$ 36,992
Options written	4,765	609,394	3,677	429,651
Options terminated in closing purchase transactions	(600)	(79,048)	(70)	(10,990)
Options expired	(1,940)	(220,157)	(2,337)	(272,377)
Options exercised	(1,225)	(168,954)	(150)	(15,993)
Options outstanding, December 31, 2004	1,550	$ 204,167	1,470	$ 167,283

4. CAPITAL STOCK

The Corporation has 5,000,000 authorized and unissued preferred shares without par value.

On December 27, 2003, the Corporation issued 450,110 shares of its Common Stock at a price of $21.735 per share (the average market price on December 8, 2003) to stockholders of record November 24, 2003 who elected to take stock in payment of the distribution from 2003 capital gain and investment income.

On December 27, 2004, the Corporation issued 380,149 shares of its Common Stock at a price of $25.33 per share (the average market price on December 13, 2004) to stockholders of record November 23, 2004 who elected to take stock in payment of the distribution from 2004 capital gain and investment income.

The Corporation may purchase shares of its Common Stock from time to time at such prices and amounts as the Board of Directors may deem advisable.

Transactions in Common Stock for 2004 and 2003 were as follows:

	Shares		Amount	
	2004	2003	2004	2003
Shares issued in payment of distributions	380,149	450,110	$ 9,629,174	$ 9,783,141
Shares purchased (at an average discount from net asset value of 8.0% and 8.2%, respectively)	(137,250)	(223,400)	(3,362,898)	(4,393,315)
Net change	242,899	226,710	$ 6,266,276	$ 5,389,826

The Corporation has an employee incentive stock option and stock appreciation rights plan which provides for the issuance of options and stock appreciation rights for the purchase of up to 895,522 shares of the Corporation's Common Stock at 100% of the fair market value at date of grant. Options are exercisable beginning not less than one year after the date of grant and extend and vest over ten years from the date of grant. Stock appreciation rights are exercisable beginning not less than two years after the date of grant and extend over the period during which the option is exercisable. The stock appreciation rights allow the holders to surrender their rights to exercise their options and receive cash or shares in an amount equal to the difference between the option price and the fair market value of the common stock at the date of surrender.

Under the plan, the exercise price of the options and related stock appreciation rights is reduced by the per share amount of capital gain paid by the Corporation during subsequent years. At the beginning of 2004, there were 129,447 options outstanding with a weighted average exercise price of $18.35 per share. During 2004, the Corporation granted options, including stock appreciation rights, for 19,241 shares of Common Stock with an original weighted average exercise price of $22.86 per share. During the year, stock appreciation rights relating to 20,145 stock option shares were exercised at a weighted average market price of $25.31 per share and the stock options relating to these rights which had a weighted average exercise price of $13.00 per share were cancelled. At December 31, 2004, there were outstanding exercisable options to purchase 42,060 common shares at $10.04–$23.65 per share (weighted average price of $18.25) and unexercisable options to purchase 86,483 common shares at $14.26–$23.65 per share (weighted average price of $19.08). The weighted average remaining contractual life of outstanding exercisable and unexercisable options was 5.32 years and 6.18 years, respectively. The total compensation expense recognized in 2004 for the stock option and stock appreciation rights plan was $435,091. At December 31, 2004, there were 260,373 shares available for future option grants.

In December 2004, the Financial Accounting Standards Board revised the Statement of Financial Accounting Standards No. 123, *Share-Based Payment* which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. Currently, the Corporation recognizes compensation cost for a stock option award over the award's vesting period. The revised FAS 123 is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. The Corporation is currently evaluating the impact it will have on its operations and financial statements.

5. RETIREMENT PLANS

The Corporation provides retirement benefits for its employees under a non-contributory qualified defined benefit pension plan and a non-contributory non-qualified defined benefit pension plan. The benefits are based on years of service and compensation during the last five years of employment.

The Corporation uses a December 31 measurement date for its plans.

	2004	2003
Change in benefit obligation		
Benefit obligation at beginning of year	$ 3,989,256	$ 4,675,724
Service cost	137,080	141,454
Interest cost	245,422	269,838
Actuarial loss	270,897	481,246
Benefits paid	(123,287)	(1,579,006)
Benefit obligation at end of year	$ 4,519,368	$ 3,989,256
Change in plan assets		
Fair value of plan assets at beginning of year	$ 2,749,114	$ 3,861,986
Actual return on plan assets	243,186	427,261
Employer contribution	636,675	38,873
Benefits Paid	(123,287)	(1,579,006)
Fair value of plan assets at end of year	$ 3,505,688	$ 2,749,114
Funded status	$(1,013,680)	$(1,240,142)
Unrecognized net loss	1,332,884	1,221,107
Unrecognized prior service cost	178,830	236,681
Net amount recognized	$ 498,034	$ 217,646

Amounts recognized in the statement of assets and liabilities consist of:

	2004	2003
Prepaid pension cost	$ 985,707	$ 731,021
Accrued pension cost	(487,673)	(513,375)
Net amount recognized	$ 498,034	$ 217,646

The accumulated benefit obligation for all defined benefit pension plans was $3,533,866 and $3,055,084 at December 31, 2004, and 2003, respectively.

	2004	2003
Components of net periodic pension cost		
Service cost	$ 137,080	$ 141,454
Interest cost	245,422	269,838
Actual return on plan assets	(243,186)	(427,261)
Amortization of prior service cost	57,851	57,851
Amortization of net loss	132,729	164,748
Deferred asset gain	26,391	192,147
Net periodic pension cost	$ 356,287	$ 398,777

Assumptions used to determine benefit obligations and costs are:

	2004	2003
Discount rate	5.75%	6.25%
Expected long-term return on plan assets	8.00%	8.00%
Rate of compensation increase	7.00%	7.00%

The assumption for the expected long-term return on plan assets is based on the actual long-term historical returns realized by the plan assets, weighted according to the current asset mix.

The asset allocations at December 31, 2004 and 2003, by asset category are as follows:

	2004	2003
Asset Category		
Equity Securities & Equity Mutual Funds	71%	74%
Fixed Income Mutual Funds	25%	25%
Cash	4%	1%

Equity securities include Common Stock of The Adams Express Company, the Corporation's non-controlled affiliate, in the amount of $201,285 (6% of total plan assets) and $180,012 (7% of total plan assets) at December 31, 2004, and 2003, respectively.

The primary objective of the Corporation's pension plan is to provide capital appreciation, current income, and preservation of capital through a portfolio of stocks and fixed income securities. The equity portion of the portfolio may range from 50% to 75% of total portfolio assets. The fixed income portion of the portfolio may range from 25% to 50% of total portfolio assets and cash may range from 0% to 25% of total portfolio assets. Subject to these allocation ranges, the portfolio may be invested in any of the following securities: common stocks, preferred stocks, American Depository Receipts, foreign securities, mutual funds, convertible securities, municipal bonds, corporate bonds, US government securities and US government agency securities.

The Corporation's policy is to contribute annually to the plans those amounts that can be deducted for federal income tax purposes, plus additional amounts as the Corporation deems appropriate in order to provide assets sufficient to meet benefits to be paid to plan participants. The Corporation anticipates making contributions in the amount of approximately $630,000 to the plans in 2005.

The following benefit payments, which reflect expected future service, are expected to be paid:

	Pension Benefits
2005	$ 122,179
2006	191,811
2007	194,682
2008	306,401
2009	299,797
Years 2010-2014	1,592,920

The Corporation also sponsors a defined contribution plan that covers substantially all employees. The Corporation expensed contributions of $56,822 and $58,965 for the years ended December 31, 2004 and December 31, 2003, respectively. The Corporation does not provide postretirement medical benefits.

6. EXPENSES

The amount of accrued expenses at December 31, 2004 for employees and former employees of the Corporation was $1,669,127. Aggregate remuneration paid or accrued during the year ended December 31, 2004 to key employees and directors amounted to $1,672,549.

7. PORTFOLIO SECURITIES LOANED

The Corporation makes loans of securities to brokers, secured by cash, U.S. Government securities, or bank letters of credit. The Corporation accounts for securities lending transactions as secured financing and receives compensation in the form of fees or retains a portion of interest on the investment of any cash received as collateral. The Corporation also continues to receive interest or dividends on the securities loaned. The loans are secured by collateral of at least 102%, at all times, of the fair value of the securities loaned plus accrued interest. At December 31, 2004, the Corporation had securities on loan of $27,480,851, and held collateral of $28,685,423, consisting of a money market fund.

	Year Ended December 31				
	2004	2003	2002	2001	2000
Per Share Operating Performance					
Net asset value, beginning of year	$24.06	$20.98	$24.90	$32.69	$26.32
Net investment income	0.41	0.38	0.42	0.49	0.37
Net realized gains and change in unrealized appreciation	5.05	3.89	(3.20)	(6.81)	7.67
Total from investment operations	5.46	4.27	(2.78)	(6.32)	8.04
Less distributions					
Dividends from net investment income	(0.44)	(0.38)	(0.43)	(0.43)	(0.39)
Distributions from net realized gains	(0.88)	(0.81)	(0.68)	(1.07)	(1.35)
Total distributions	(1.32)	(1.19)	(1.11)	(1.50)	(1.74)
Capital share repurchases	0.01	0.02	0.01	0.06	0.28
Reinvestment of distributions	(0.05)	(0.02)	(0.04)	(0.03)	(0.21)
Total capital share transactions	(0.04)	0.00	(0.03)	0.03	0.07
Net asset value, end of year	$28.16	$24.06	$20.98	$24.90	$32.69
Per share market price, end of year	$25.78	$23.74	$19.18	$23.46	$27.31

	2004	2003	2002	2001	2000
Total Investment Return					
Based on market price	14.4%	30.8%	(13.7)%	(8.7)%	36.1%
Based on net asset value	23.3%	21.2%	(11.1)%	(19.0)%	33.1%
Ratios/Supplemental Data					
Net assets, end of year (in 000's)	$618,887	$522,941	$451,275	$526,492	$688,173
Ratio of expenses to average net assets	0.56%	0.74%	0.49%	0.35%	0.59%
Ratio of net investment income to average net assets	1.58%	1.75%	1.84%	1.67%	1.24%
Portfolio turnover	13.44%	10.20%	9.69%	6.74%	7.68%
Number of shares outstanding at end of year (in 000's)	21,980	21,737	21,510	21,148	21,054

December 31, 2004

	Shares	Value (A)
Stocks and Convertible Securities — 92.3%		
Energy — 79.8%		
Internationals — 25.7%		
BP plc ADR	600,000	$ 35,040,000
ChevronTexaco Corp.	625,000	32,818,750
Exxon Mobil Corp.	1,050,000	53,823,000
Royal Dutch Petroleum Co. ADR	400,000	22,952,000
Total S.A. ADR (B)	130,000	14,279,200
		158,912,950
Domestics — 9.4%		
Amerada Hess Corp.	100,000	8,238,000
ConocoPhillips	300,000	26,049,000
Kerr-McGee Corp.	177,153	10,237,672
Murphy Oil Corp.	172,700	13,893,715
		58,418,387
Producers — 15.3%		
Apache Corp.	190,000	9,608,300
Burlington Resources Inc.	266,800	11,605,800
Devon Energy Corp.	397,440	15,468,365
EOG Resources, Inc.	180,000	12,844,800
Noble Energy, Inc. (B)	215,000	13,256,900
Occidental Petroleum Corp.	200,000	11,672,000
Pioneer Natural Resources Co.	316,000	11,091,600
XTO Energy Inc.	250,000	8,845,000
		94,392,765
Distributors — 15.4%		
AGL Resources Inc.	250,000	8,310,000
Aquila Inc. (B) (C)	2,000,000	7,380,000
Duke Energy Corp. (B)	217,624	5,512,416
Energen Corp.	200,000	11,790,000
Equitable Resources Inc.	250,000	15,165,000
Keyspan Corp.	188,500	7,436,325
MDU Resources Group, Inc.	250,000	6,670,000
National Fuel Gas Co.	200,000	5,668,000
New Jersey Resources Corp.	277,500	12,026,850
Questar Corp.	200,000	10,192,000
Williams Companies, Inc.	320,000	5,212,800
		95,363,391

December 31, 2004

	Shares	Value (A)
Services — 14.0%		
Baker Hughes, Inc.	130,000	$ 5,547,100
BJ Services Co.	370,000	17,219,800
GlobalSantaFe Corp.	255,000	8,443,050
Grant Prideco Inc. (C)	308,000	6,175,400
Nabors Industries Ltd. (C)	215,000	11,027,350
Noble Corp. (C)	185,000	9,201,900
Schlumberger Ltd.	280,000	18,746,000
Weatherford International, Ltd. (C)	205,000	10,516,500
		86,877,100
Basic Industries — 12.5%		
Basic Materials & Other — 10.1%		
Air Products and Chemicals, Inc.	125,000	7,246,250
Aqua America, Inc.	315,000	7,745,850
Arch Coal Inc. (B)	100,000	3,554,000
Consol Energy Inc.	158,700	6,514,635
duPont (E.I.) de Nemours and Co.	175,000	8,583,750
General Electric Co.	454,800	16,600,200
Martin Marietta Materials, Inc.	66,400	3,563,024
Rohm & Haas Co.	200,000	8,846,000
		62,653,709
Paper and Forest Products — 2.4%		
OfficeMax, Inc.	285,013	8,943,708
Smurfit-Stone Container Corp. (C)	300,000	5,604,000
		14,547,708
Total Stocks and Convertible Securities		
(Cost $295,546,819) (D)		$571,166,010

December 31, 2004

	Prin. Amt.	Value (A)
Short-Term Investments — 7.7%		
U.S. Government Obligations — 2.4%		
U.S. Treasury Bills, 2.00%, due 2/17/05	$15,000,000	$ 14,960,833
Commercial Paper — 5.3%		
AIG Funding, Inc., 2.28%, due 1/11/05	4,115,000	4,112,394
American General Finance, Inc., 2.29-2.31%, due 1/18/05-1/20/05	5,250,000	5,243,861
Caterpillar Financial Services Corp., 2.24%, due 1/27/05	5,875,000	5,865,496
ChevronTexaco Funding Corp., 2.20%, due 1/13/05	750,000	749,450
General Electric Capital Corp., 2.10-2.21%, due 1/4/05-1/25/05	6,300,000	6,295,478
GMAC MINT, 2.34%, due 1/13/05	6,000,000	5,995,320
Toyota Motor Credit Corp., 2.14%, due 1/6/05	4,725,000	4,723,595
		32,985,594
Total Short-Term Investments		
(Cost $47,946,427)		47,946,427
Securities Lending Collateral — 4.6%		
Money Market Fund		
BNY Institutional Cash Reserves Fund, 2.35%, due 1/3/05		28,685,423
Total Securities Lending Collateral		
(Cost $28,685,423)		28,685,423
Total Investments — 104.6%		
(Cost $372,178,669)		647,797,860
Cash, receivables and other assets, less liabilities — (4.6)%		(28,910,459)
Net Assets — 100%		$618,887,401

Notes:

(A) See note 1 to financial statements. Securities are listed on the New York Stock Exchange, the American Stock Exchange, or the NASDAQ.

(B) All or a portion of these securities are on loan. See Note 7 to Financial Statements.

(C) Presently non-dividend paying.

(D) The aggregate market value of stocks held in escrow at December 31, 2004 covering open call option contracts written was $9,751,000. In addition, the required aggregate market value of securities segregated by the custodian to collaterize open put option contracts written was $6,535,000.

December 31, 2004

Contracts (100 shares each)	Security	Strike Price	Contract Expiration Date	Appreciation/ (Depreciation)
	COVERED CALLS			
150	Amerada Hess Corp.	$ 90	Jan 05	$ 18,239
150	Arch Coal Inc.	40	Jan 05	11,550
200	Burlington Resources Inc.	40	Jan 05	(56,601)
200	ConocoPhillips	80	Jan 05	(112,601)
250	Equitable Resources Inc.	55	Mar 05	(116,946)
100	Keyspan Corp.	40	Feb 05	4,477
250	Pioneer Natural Resources Co.	35	Mar 05	(11,051)
150	Royal Dutch Petroleum Co.	55	Jan 05	(25,850)
100	Total S.A.	105	Feb 05	(40,301)
1,550				(329,084)
	COLLATERALIZED PUTS			
150	ChevronTexaco Corp.	50	Mar 05	900
100	ConocoPhillips	70	Jan 05	8,700
200	Consol Energy Inc.	30	Jan 05	25,399
100	GlobalSantaFe Corp.	25	Apr 05	7,700
85	Martin Marietta Materials, Inc.	45	Apr 05	4,420
100	Murphy Oil Corp.	60	Jan 05	11,100
135	Murphy Oil Corp.	65	Jan 05	13,116
100	Noble Energy, Inc.	50	Jan 05	11,700
250	Precision Drilling Corp.	45	Mar 05	9,600
100	Precision Drilling Corp.	55	Jan 05	25,599
150	Schlumberger Ltd.	50	Jan 05	14,550
1,470				132,784
				$(196,300)

During the Three Months Ended December 31, 2004
(unaudited)

	Shares		
	Additions	**Reductions**	**Held Dec. 31, 2004**
ChevronTexaco Corp.	85,000		625,000
Consol Energy Inc.	158,700		158,700
Devon Energy Corp.	198,720[(1)]		397,440
GlobalSantaFe Corp.	55,000		255,000
Martin Marietta Materials, Inc.	66,400		66,400
Murphy Oil Corp.	107,700		172,700
Nabors Industries Ltd.	40,000		215,000
Noble Energy, Inc.	30,000		215,000
OfficeMax, Inc.	285,013[(2)]		285,013
Williams Companies, Inc.	120,000[(3)]		320,000
Arch Coal Inc.		56,000	100,000
Boise Cascade Corp. 7.5% ACES due 2004		51,000[(2)]	—
Boise Cascade Corp.		205,000[(2)]	—
Keyspan Corp.		31,500	188,500
"Shell" Transpsort and Trading Co., plc ADR		85,000	—
Total S.A. ADR		10,000	130,000
Williams Companies, Inc. 9.0% FELINE PACS due 2005		120,000[(3)]	—

[(1)] By stock split.

[(2)] Effective November 1, 2004, Boise Cascade Corp. changed its company name to OfficeMax, Inc. Also received, by conversion, 80,013 shares of OfficeMax, Inc. for shares of Boise Cascade Corp. 7.5% ACES owned.

[(3)] Received one share and $1.47 cash for each share of Williams Companies, Inc. 9.0% FELINE PACS owned.

To the Board of Directors and Stockholders of Petroleum & Resources Corporation:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Petroleum & Resources Corporation (hereafter referred to as the "Corporation") at December 31, 2004, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2004 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Baltimore, Maryland
January 13, 2005

Common Stock

Listed on the New York Stock Exchange
and the Pacific Exchange

Petroleum & Resources Corporation

Seven St. Paul Street, Suite 1140, Baltimore, MD 21202
(410) 752-5900 or (800) 638-2479
Website: www.peteres.com
E-mail: contact@peteres.com
Counsel: Chadbourne & Parke L.L.P.
Independent Registered Public Accounting Firm: PricewaterhouseCoopers LLP
Transfer Agent & Registrar: American Stock Transfer & Trust Co.
Custodian of Securities: The Bank of New York

STATEMENT ON QUARTERLY FILING OF COMPLETE PORTFOLIO SCHEDULE

In addition to publishing its complete schedule of portfolio holdings in the First and Third Quarter Reports to shareholders, the Corporation also files its complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year on Form N-Q. The Corporation's Forms N-Q are available on the Commission's website at *www.sec.gov*. The Corporation's Forms N-Q may be reviewed and copied at the Commission's Public Reference Room, and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Corporation also posts its Forms N-Q on its website at: *www.peteres.com*, under the heading "Financial Reports".

ANNUAL CERTIFICATION

The Corporation's CEO has submitted to the New York Stock Exchange the annual CEO certification as required by Section 303A.12(a) of the NYSE Listed Company Manual.

PROXY VOTING POLICIES AND RECORD

A description of the policies and procedures that the Corporation uses to determine how to vote proxies relating to portfolio securities owned by the Corporation and information as to how the Corporation voted proxies relating to portfolio securities during the 12 month period ended June 30, 2004 are available (i) without charge, upon request, by calling the Corporation's toll free number at (800) 638-2479; (ii) on the Corporation's website by clicking on "Corporate Information" heading on the website; and (iii) on the Securities and Exchange Commission's website at http//www.sec.gov.

FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the Corporation's actual results are the performance of the portfolio of stocks held by the Corporation, the conditions in the U.S. and international financial, petroleum and other markets, the price at which shares of the Corporation will trade in the public markets, and other factors discussed in the Corporation's periodic filings with the Securities and Exchange Commission.

PRIVACY POLICY

In order to conduct its business, Petroleum & Resources Corporation collects and maintains certain nonpublic personal information about our stockholders of record with respect to their transactions in shares of our securities. This information includes the stockholder's address, tax identification or Social Security number, share balances, and dividend elections. We do not collect or maintain personal information about stockholders whose shares of our securities are held in "street name" by a financial institution such as a bank or broker.

We do not disclose any nonpublic personal information about you, our other stockholders or our former stockholders to third parties unless necessary to process a transaction, service an account or as otherwise permitted by law.

To protect your personal information internally, we restrict access to nonpublic personal information about our stockholders to those employees who need to know that information to provide services to our stockholders. We also maintain certain other safeguards to protect your nonpublic personal information.

This report, including the financial statements herein, is transmitted to the stockholders of Petroleum & Resources Corporation for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Corporation or of any securities mentioned in the report. The rates of return will vary and the principal value of an investment will fluctuate. Shares, if sold, may be worth more or less than their original cost. Past performance is not indicative of future investment results.

WE ARE OFTEN ASKED —

How do I invest in Petroleum & Resources?

Petroleum & Resources Common Stock is listed on the New York Stock Exchange and Pacific Exchange. The stock's ticker symbol is "PEO" and may be bought and sold through registered investment security dealers. Your broker will be able to assist you in this regard. In addition, stock may be purchased through our transfer agent, American Stock Transfer & Trust Company's INVESTORS CHOICE Plan (see page 21).

Where do I get information on the stock's price, trading and/or net asset value?

The *daily* net asset value (NAV) per share and closing market price may be obtained from our website at www.peteres.com. The daily NAV is also available on the NASDAQ Mutual Fund Quotation System under the symbol XPEOX. The *week-ending* NAV is published on Saturdays in various newspapers and on Mondays in The Wall Street Journal in a table titled "Closed-End Funds." The table compares the net asset value at the close of the week's last business day to the market price of the shares, and shows the amount of the discount or premium.

Petroleum's daily trading is shown in the stock tables of most daily newspapers, usually with the abbreviated form "PetRs." Local newspapers determine, usually by volume of traded shares, which securities to list. If your paper does not carry our listing, please telephone the Corporation at (800) 638-2479 or visit our website.

How do I replace a lost certificate(s) or how do I correct a spelling error on my certificate?

Your Petroleum stock certificates are valuable documents and should be kept in a safe place. For tax purposes, keep a record of each certificate, including the cost or market value of the shares it covers at the time acquired. If a certificate is lost, destroyed or stolen, notify the transfer agent immediately so a "stop transfer" order can be placed on the records to prevent an unauthorized transfer of your certificate. The necessary forms and requirements to permit the issuance of a replacement certificate will then be sent to you. A certificate can be replaced only after the receipt of an affidavit regarding the loss accompanied by an open surety bond, for which a small premium is paid by the stockholder.

In the event a certificate is issued with the holder's name incorrectly spelled, a correction can only be made if the certificate is returned to the transfer agent with instructions for correcting the error. Transferring shares to another name also requires that the certificate be forwarded to the transfer agent with the appropriate assignment forms completed and the signature of the registered owner Medallion guaranteed by a bank or member firm of The New York Stock Exchange, Inc.

Is direct deposit of my dividend checks available?

Yes, our transfer agent offers direct deposit of your interim dividend checks. You can request direct deposit with American Stock Transfer either on-line or by calling them at the phone number provided on page 21. At this time, AST does not offer direct deposit of your year-end distribution checks. We have been advised by AST that it will be able to offer this service for the 2005 year-end distribution.

Who do I notify of a change of address?

The transfer agent.

We go to Florida (Arizona) every winter. How do we get our mail from Petroleum & Resources?

The transfer agent can program a seasonal address into its system; simply send the temporary address and the dates you plan to be there to the transfer agent.

I want to give shares to my children, grandchildren, etc., as a gift. How do I go about it?

Giving shares of Petroleum is simple and is handled through our transfer agent. The stock transfer rules are clear and precise for most forms of transfer. They will vary slightly depending on each transfer, so write to the transfer agent stating the exact intent of your gift plans and the transfer agent will send you the instructions and forms necessary to effect your transfer.

DIVIDEND PAYMENT SCHEDULE

The Corporation presently pays dividends four times a year, as follows: (a) three interim distributions on or about March 1, June 1, and September 1 and (b) a "year-end" distribution, payable in late December, consisting of the estimated balance of the net investment income for the year and the net realized capital gain earned through October 31. Stockholders may elect to receive the year-end distribution in stock or cash. In connection with this distribution, all **stockholders of record** are sent a dividend announcement notice and an election card in mid-November.

Stockholders holding shares in "street" or brokerage accounts may make their elections by notifying their brokerage house representative.

INVESTORS CHOICE

INVESTORS CHOICE is a direct stock purchase and sale plan, as well as a dividend reinvestment plan, sponsored and administered by our transfer agent, American Stock Transfer & Trust Company (AST). The plan provides registered stockholders and interested first time investors an affordable alternative for buying, selling, and reinvesting in Petroleum & Resources shares.

The costs to participants in administrative service fees and brokerage commissions for each type of transaction are listed below.

Initial Enrollment and Optional Cash Investments	
Service Fee	$2.50 per investment
Brokerage Commission	$0.05 per share
Reinvestment of Dividends*	
Service Fee	2% of amount invested (maximum of $2.50 per investment)
Brokerage Commission	$0.05 per share
Sale of Shares	
Service Fee	$10.00
Brokerage Commission	$0.05 per share
Deposit of Certificates for safekeeping	$7.50
Book to Book Transfers	Included

To transfer shares to another participant or to a new participant

Fees are subject to change at any time.

Minimum and Maximum Cash Investments

Initial minimum investment (non-holders)	$500.00
Minimum optional investment (existing holders)	$50.00
Electronic Funds Transfer (monthly minimum)	$50.00
Maximum per transaction	$25,000.00
Maximum per year	NONE

A brochure which further details the benefits and features of INVESTORS CHOICE as well as an enrollment form may be obtained by contacting AST.

For Non-Registered Shareholders

For shareholders whose stock is held by a broker in "street" name, the AST INVESTORS CHOICE Direct Stock Purchase and Sale Plan remains available through many registered investment security dealers. If your shares are currently held in a "street" name or brokerage account, please contact your broker for details about how you can participate in AST's Plan or contact AST.

The Corporation

Petroleum & Resources Corporation
Lawrence L. Hooper, Jr.
Vice President, General Counsel and Secretary
Seven St. Paul Street, Suite 1140, Baltimore, MD 21202
(800) 638-2479
Website: www.peteres.com
E-mail: contact@peteres.com

The Transfer Agent

American Stock Transfer & Trust Company
Address Shareholder Inquiries to:
Shareholder Relations Department
59 Maiden Lane
New York, NY 10038
(866) 723-8330
Website: www.amstock.com
E-mail: info@amstock.com

Investors Choice Mailing Address:
Attention: Dividend Reinvestment
P.O. Box 922
Wall Street Station
New York, NY 10269
Website: www.InvestPower.com
E-mail: info@InvestPower.com

*The year-end dividend and capital gain distribution will usually be made in newly issued shares of common stock. There are no fees or commissions in connection with this dividend and capital gain distribution when made in newly issued shares.

Dec. 31	Value of Net Assets	Shares Outstanding*	Net Asset Value Per Share*	Dividends From Net Investment Income Per Share*	Distributions From Net Realized Gains Per Share*
1990	$308,599,851	16,189,934	$19.06	$.73	$ .83
1991	314,024,187	16,778,358	18.71	.61	.82
1992	320,241,282	17,369,255	18.44	.51	.82
1993	355,836,592	18,010,007	19.76	.55	.87
1994	332,279,398	18,570,450	17.89	.61	.79
1995	401,404,971	19,109,075	21.01	.58	.81
1996	484,588,990	19,598,729	24.73	.55	.88
1997	556,452,549	20,134,181	27.64	.51	1.04
1998	474,821,118	20,762,063	22.87	.52	1.01
1999	565,075,001	21,471,270	26.32	.48	1.07
2000	688,172,867	21,053,644	32.69	.39	1.35
2001	526,491,798	21,147,563	24.90	.43	1.07
2002	451,275,463	21,510,067	20.98	.43	.68
2003	522,941,279	21,736,777	24.06	.38	.81
2004	618,887,401	21,979,676	28.16	.44	.88

*Adjusted for 3-for-2 stock split effected in October 2000.

Personal Information	Position Held with the Fund	Term of Office	Length of Time Served	Principal Occupations During the Last 5 Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships
Independent Directors						
Enrique R. Arzac, Ph.D. 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 63	Director	One Year	Since 1987	Professor of Finance and Economics, formerly Vice Dean of Academic Affairs of the Graduate School of Business, Columbia University.	Two	Director of The Adams Express Company and Credit Suisse Asset Management Funds (8 funds) (investment companies).
Phyllis O. Bonanno 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 61	Director	One Year	Since Nov. 2003	President & CEO of International Trade Solutions, Inc. (consultants). Formerly President of Columbia College, Columbia, South Carolina, and Vice President of Warnaco Inc. (apparel).	Two	Director of The Adams Express Company (investment company), Borg-Warner Inc. (industrial), Mohawk Industries Inc. (carpets and flooring), The Canadian-American Business Council, and Board of Advisors for APTE, Inc. (software).
Daniel E. Emerson 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 80	Director	One Year	Since 1987	Chairman, The National YMCA Fund Inc. Retired Executive Vice President of NYNEX Corp. (communications), Retired Chairman of The Board of both NYNEX Information Resources Co. and NYNEX Mobile Communications Co. Previously Executive Vice President and Director of New York Telephone Company.	Two	Director of The Adams Express Company (investment company).
Thomas H. Lenagh 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 86	Director	One Year	Since 1987	Financial Advisor, Chairman of the Board, Photonics Product Group (crystals). Formerly Chairman of the Board and CEO of Greiner Engineering Inc. (formerly Systems Planning Corp.) (consultants), and Chief Investment Officer of the Ford Foundation (charitable foundation).	Two	Director of The Adams Express Company and Cornerstone Funds, Inc. (3 funds) (investment companies).
W. D. MacCallan 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 77	Director	One Year	Since 1971	Retired Chairman of the Board and CEO of the Corporation (since 1991) and The Adams Express Company (since 1991). Formerly consultant to the Corporation and The Adams Express Company.	Two	Director of The Adams Express Company (investment company).
Kathleen T. McGahran, Ph.D., J.D., C.P.A 7 St. Paul Street, Suite 1140 Baltimore, Md 21202 Age 54	Director	One Year	Since Nov. 2003	Principal & Director of Pelham Associates, Inc. (executive education), Adjunct Associate Professor, Columbia Executive Education, Graduate School of Business, Columbia University. Formerly Associate Dean and Director of Executive Education, and Associate Professor, Columbia University.	Two	Director of The Adams Express Company (investment company).

Personal Information	Position Held with the Fund	Term of Office	Length of Time Served	Principal Occupations During the Last 5 Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships
Independent Directors (continued)						
W. Perry Neff, J.D. 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 77	Director	One Year	Since 1971	Private Financial Consultant. Retired Executive Vice President of Chemical Bank.	Two	Director of The Adams Express Company (investment company).
Landon Peters 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 74	Director	One Year	Since 1987	Private Investor. Former Investment Manager, YMCA Retirement Fund. Formerly Executive Vice President and Treasurer and prior thereto Senior Vice President and Treasurer of The Bank of New York.	Two	Director of The Adams Express Company (investment company).
John J. Roberts 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 82	Director	One Year	Since 1987	Senior Advisor, formerly Vice—Chairman External Affairs, American International Group, Inc. (insurance). Formerly Chairman and CEO of American International Underwriters Corporation. Previously President of American International Underwriters Corporation-U.S./ Overseas Operations.	Two	Director of The Adams Express Company (investment company) and Honorary Director of American International Group, Inc.
Susan C. Schwab, Ph.D. 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 49	Director	One Year	Since 2000	President/CEO, University System of Maryland Foundation. Former Dean, School of Public Policy at the University of Maryland, College Park. Previously Director of Corporate Business Development at Motorola, Inc. (electronics).	Two	Director of The Adams Express Company (investment company) and Calpine Corp. (energy).
Robert J. M. Wilson 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 84	Director	One Year	Since 1975	Retired President of the Corporation (since 1986) and retired President of The Adams Express Company (since 1986).	Two	Director of The Adams Express Company (investment company).
Interested Director						
Douglas G. Ober 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 58	Director, Chairman, President and CEO	One Year	Director since 1989; Chairman of the Board since 1991	Chairman & CEO of the Corporation and The Adams Express Company.	Two	Director of The Adams Express Company (investment company).

Board Of Directors

Enrique R. Arzac[1,2]
Phyllis O. Bonanno[1,3]
Daniel E. Emerson[1,3]
Thomas H. Lenagh[1,4]
W.D. MacCallan[3,4]
Kathleen T. McGahran[2,4]
W. Perry Neff[2,4]
Douglas G. Ober[1]
Landon Peters[2,3]
John J. Roberts[1]
Susan C. Schwab[2,4]
Robert J.M. Wilson[1,3]

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[1] Member of Executive Committee
[2] Member of Audit Committee
[3] Member of Compensation Committee
[4] Member of Retirement Benefits Committee

Officers

Douglas G. Ober	*Chairman, President and Chief Executive Officer*
Joseph M. Truta	*Executive Vice President*
Lawrence L. Hooper, Jr.	*Vice President, General Counsel and Secretary*
Maureen A. Jones	*Vice President, Chief Financial Officer and Treasurer*
Nancy J.F. Prue	*Vice President — Research*
Christine M. Sloan	*Assistant Treasurer*
Geraldine H. Paré	*Assistant Secretary*

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