

INVESTING IN RESOURCES FOR THE FUTURE®



ANNUAL REPORT 2013

Petroleum
& Resources
Corporation®

THE FUND

- a closed-end equity investment company specializing in energy and resources stocks
- objectives: preservation of capital
reasonable income
opportunity for capital gain
- internally-managed
- annual distribution rate of at least 6%

STOCK DATA (12/31/13)

NYSE Symbol	PEO
Market Price	\$27.38
52-Week Range	\$24.11-\$29.00
Discount	15.1%
Shares Outstanding	26,775,228

SUMMARY FINANCIAL INFORMATION

	Year Ended December 31,	
	2013	2012
Net asset value per share	\$ 32.26	\$ 27.84
Total net assets	863,689,833	732,988,462
Unrealized appreciation on investments	402,483,744	284,191,650
Net investment income	11,590,396	12,359,977
Net realized gain	37,428,311	30,465,396
Total return (based on market price)	22.7%	4.3%
Total return (based on net asset value)	24.2%	4.0%
Ratio of expenses to average net assets	0.78%	0.65%
Annual distribution rate	7.2%	6.4%

2013 DIVIDENDS AND DISTRIBUTIONS

Paid	Amount (per share)	Type
March 1, 2013	\$0.04	Long-term capital gain
March 1, 2013	0.03	Short-term capital gain
March 1, 2013	0.03	Investment income
June 3, 2013	0.10	Investment income
September 3, 2013	0.10	Investment income
December 27, 2013	1.27	Long-term capital gain
December 27, 2013	0.08	Short-term capital gain
December 27, 2013	0.23	Investment income
	\$1.88	

2014 ANNUAL MEETING OF SHAREHOLDERS

Location: Four Seasons Hotel, Baltimore, Maryland
Date: April 10, 2014
Time: 10:00 a.m.

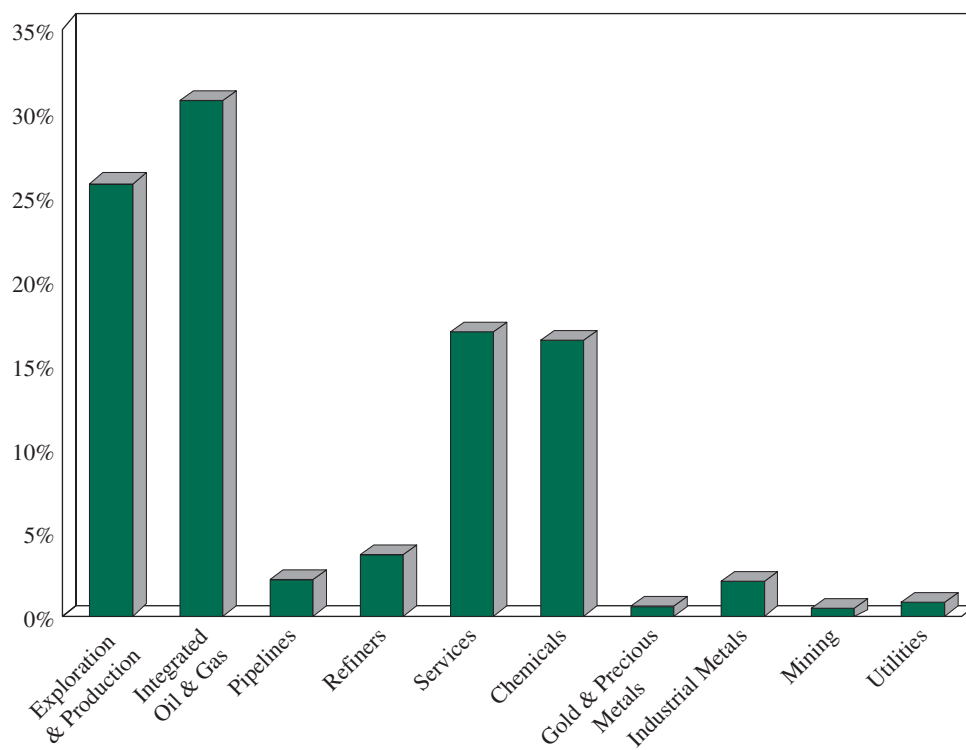
PORTFOLIO REVIEW

December 31, 2013
(unaudited)

TEN LARGEST EQUITY PORTFOLIO HOLDINGS

	<i>Market Value</i>	<i>% of Net Assets</i>
Exxon Mobil Corp.	\$150,123,116	17.4%
Chevron Corp.	95,331,312	11.0
Schlumberger Ltd.	56,318,750	6.5
Occidental Petroleum Corp.	38,515,500	4.5
EOG Resources, Inc.	29,372,000	3.4
LyondellBasell Industries N.V. (Class A)	27,696,600	3.2
Phillips 66	26,631,061	3.1
Halliburton Co.	25,063,903	2.9
Dow Chemical Co.	24,309,000	2.8
Anadarko Petroleum Corp.	23,796,000	2.8
Total	<u>\$497,157,242</u>	<u>57.6%</u>

SECTOR WEIGHTINGS



Dear Fellow Shareholders,

By any measure, 2013 was a banner year for the U.S. stock market. Few would have expected such a robust stock market in the face of the many things that transpired during 2013. Markets experienced a strong start to 2013 as the “fiscal cliff” and the potential consequences of federal spending cuts and tax increases were averted. Concerns of a weakening U.S. economy subsided with the flow of solid corporate earnings growth and a modest economic recovery. High unemployment rates and low inflation reinforced the Federal Reserve’s (Fed) resolve to continue accommodative monetary policy, keeping a lid on interest rates. Stabilization in Europe and a managed slowdown in China fostered optimism for investors.

The rally was sustained in February, but at a significantly reduced rate. Investor enthusiasm was tempered as retailers expressed caution, economic growth slowed in China, and many European countries were in a recession. However, slow but positive growth in the U.S. was sufficient to offset sequestration cuts and the Fed meeting minutes that revealed discussions of winding down asset purchases. The S&P 500 gained 10.6% through the first quarter as cash flowed back into the equity markets.

The second quarter presented a different story. Despite weakened labor markets, slowing retail sales, and an easing in manufacturing growth, investor sentiment remained bullish through April. The market’s exuberance started to diminish as China’s growth rate continued to contract. Investors balanced economic news with a myopic focus on the Fed’s stimulus program. Comments in May suggesting an end to the stimulus program roiled markets. By the end of the second quarter, dovish comments by the Fed had calmed investor uncertainty.

U.S. equities hit record highs in July as positive earnings reports by companies coincided with improving economic indicators. The unemployment rate fell to the lowest level in five years and interest rates remained low. The S&P 500 exited July with a 19.6% year-to-date gain.

Turbulence quickly followed as investors struggled to balance Fed comments, economic news, and escalating world-wide geopolitical tensions. Volatility stemmed from civil war in Syria and violence in Egypt following a military coup. Rising geopolitical instability in the Middle East/North Africa region put upward pressure on oil prices, creating a headwind for global economic growth. By late September, violence in Egypt subsided and Syria’s risks diminished, supporting a recovery in U.S. markets back to July levels. Europe showed evidence of an upturn, China’s growth stabilized, and the Fed’s tapering was delayed.

The fall also brought the roll-out of the Affordable Care Act (ACA). Rarely has a law been as divisive as the ACA. The online exchange proved difficult with a poor design and under-resourced engine which made it almost impossible for people interested in signing up to do just that. The White House promised fixes that ultimately made the experience more acceptable.

A 16-day shutdown by the U.S. Government in early October and concerns of a budget resolution did little to slow the rise of the markets for the remainder of the year. Stocks hit a new high as government funding was restored. Key economic data, corporate earnings, and labor market results buoyed investors’ sentiment. Reflected in the equity market gains was approval of Janet Yellen’s nomination to head the Fed. As a Bernanke loyalist, she makes continuity at the Fed likely in 2014. The passing by Congress of a two-year budget deal near year-end enhanced the outlook, contributing to the full year gain of 32.4% for the S&P 500.

The slow growing economy and Fed watch yielded diverse results for commodity returns. The prices of various energy commodities increased from 2012 levels as prices of many non-energy commodities fell significantly, responding to oversupply and limited demand growth. Building on a 4-year turn-around in oil production, domestic production increased 15% in 2013. U.S. crude oil production rose to its highest level in 24 years, exceeding net imports of crude for the first time in almost two decades. Rising crude oil production in Texas and North Dakota contributed to relatively stable crude oil prices in 2013. West Texas Intermediate (WTI) spot price averaged \$98 per barrel (bbl) in 2013, slightly above its 2012 average price, as new pipeline and railroad infrastructure alleviated transportation constraints that had put downward pressure on WTI prices. The International Brent spot price averaged \$109/bbl, down 3% from its 2012 average price.

Widespread turmoil in the Middle East/North Africa caused global supply disruptions. As the United States reduced imports, more crude oil became available to foreign markets, offsetting the unplanned outages and OPEC curtailment decisions. The spread in domestic and global prices and location differentials within domestic prices influenced investor decisions. Refining stocks benefited from these periods of wide differentials in crude costs.

Dry natural gas production grew just 1% in the year as producers shifted capital spending to focus on more profitable oil drilling. Prompted by extreme weather conditions, gas prices rose over 30% from very low 2012 year-end levels, but the economics for oil drilling remained more attractive than those for gas drilling.

The stabilization of oil and gas prices at a high level and an improving economy yielded a 26.1% increase in the Dow Jones U.S. Oil & Gas Index and a return of 20.4% in the Dow Jones U.S. Basic Materials Index. Petroleum & Resources distributed 7.2% to its shareholders and generated a 24.2% total return on net asset value. By contrast, our diverse peer group, the Lipper Global Natural Resources Funds Index, returned 13.0%.

Exploration and Production companies held by Petroleum & Resources provided the greatest return, rising 30%. A series of promising well results were announced in the Permian basin and Marcellus shale region. The Fund's overweight positions in producers in these basins, including Pioneer Natural Resources, Energen and EQT, contributed substantially to performance. Similarly, the Fund was rewarded by our holding in Oasis Petroleum, a Bakken oil shale company with strong operational execution and complementary acquisitions. Investing in companies such as Hess, that demonstrated the willingness to shed nonperforming assets, focus on strategic locations and repurchase shares, provided solid results for the Fund. Excellent returns were also captured by overweights in Oil Service industry leaders, namely positions in Halliburton, Oil States International, and Schlumberger. Additionally, Refiners benefited from wide crude spreads and our Phillips 66 holding was a top performer.

Basic Materials stocks significantly underperformed Energy stocks. Within the Basic Materials sector, the Chemical industry group was the strongest performer. Portfolio names that benefited from access to lower cost energy, including Dow Chemical, LyondellBasell and DuPont, surpassed the benchmark returns. We significantly reduced our exposure to Industrial Metals during the year, but our holdings in Cliffs Natural Resources and Teck Resources in the first quarter detracted from returns.

LOOKING FORWARD TO 2014

We start 2014 in a cautious mode as commodity markets are well supplied and tepid oil demand growth is forecasted. Despite the apparent balance in markets, social and political tensions in key commodity producing regions have the potential to create price spikes. At the end of 2013, the Fund maintained large positions in well-diversified Integrated Companies, best-in-class Oil Service names, attractive Exploration and Production companies, and cost-advantaged Refiners and Chemical companies. We expect that domestic and international crude prices are likely to be stable, within a narrow range, early in the year. Natural gas prices will reflect production and inventory statistics with spikes around weather conditions. The catalysts for the Fund's investments in this environment include companies that offer differentiating fundamentals, create value through asset transactions, exhibit capital spending discipline, and demonstrate shareholder focus through share repurchases and dividend increases.

The Fund was active in repurchasing its shares in 2013 and repurchased a total of 278,774 shares. The Board of Directors has approved the repurchase of up to 5% of the outstanding shares for 2014.

Our investment philosophy and process is very focused on free cash flow generation, earnings growth, valuation, and being properly paid for the risks we are taking. Within this framework we strive to identify high quality companies we can own for an extended period of time. We look for opportunities to take advantage of market anomalies for the benefit of our shareholders. We are encouraged by the increasing strength in the economy both home and abroad and remain optimistic about what that will mean for the Fund in 2014.

By order of the Board of Directors,



Mark E. Stoeckle
Chief Executive Officer

January 24, 2014

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2013

Assets

Investments* at value:		
Common stocks (cost \$461,286,486)	\$864,155,248	
Short-term investments (cost \$865,740)	865,740	
Securities lending collateral (cost \$7,980,044)	7,980,044	\$873,001,032
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Cash		241,350
Dividends and interest receivable		739,209
Prepaid pension cost		683,412
Prepaid expenses and other assets		1,148,357
<hr/>		
<i>Total Assets</i>		875,813,360

Liabilities

Open written option contracts* at value (proceeds \$1,002,142)		1,387,160
Obligations to return securities lending collateral		7,980,044
Accrued pension liabilities		1,393,834
Accrued expenses and other liabilities		1,362,489
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<i>Total Liabilities</i>		12,123,527

Net Assets		\$863,689,833
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Net Assets

Common Stock at par value \$0.001 per share, authorized 50,000,000 shares; issued and outstanding 26,775,228 shares (includes 43,335 nonvested restricted shares, 9,600 nonvested or deferred restricted stock units, and 8,793 deferred stock units) (note 6)	\$ 26,775
Additional capital surplus	459,809,751
Accumulated other comprehensive income (note 5)	(1,043,354)
Undistributed net investment income	585,938
Undistributed net realized gain on investments	1,826,979
Unrealized appreciation on investments	402,483,744
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Net Assets Applicable to Common Stock	\$863,689,833
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Net Asset Value Per Share of Common Stock	\$32.26

* See Schedule of Investments on page 14 and Schedule of Outstanding Written Option Contracts on page 17.

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

STATEMENT OF OPERATIONS

Year Ended December 31, 2013

Investment Income

Income:	
Dividends (net of \$70,023 in foreign taxes)	\$ 17,582,923
Other income	276,060
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<i>Total income</i>	17,858,983
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Expenses:	
Investment research	2,984,384
Administration and operations	1,586,589
Travel, training, and other office expenses	429,366
Directors' fees	391,466
Reports and shareholder communications	198,922
Investment data services	164,449
Transfer agent, registrar, and custodian	158,136
Audit and accounting services	104,294
Occupancy	103,344
Insurance	71,558
Legal services	52,622
Other	23,457
<hr/>	
<i>Total expenses</i>	6,268,587
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Net Investment Income	11,590,396

Realized Gain and Change in Unrealized Appreciation on Investments

Net realized gain on security transactions	34,673,135
Net realized gain on written option contracts	2,755,176
Change in unrealized appreciation on securities	119,260,743
Change in unrealized appreciation on written option contracts	(968,649)
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Net Gain on Investments	155,720,405

Other Comprehensive Income (note 5)

Defined benefit pension plans:	
Net actuarial loss arising during period	(20,621)
Amortization of net loss	278,362
Effect of settlement (non-recurring)	641,408
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Other Comprehensive Income	899,149

Change in Net Assets Resulting from Operations	\$168,209,950
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The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

	For the Year Ended December 31,	
	2013	2012
From Operations:		
Net investment income	\$ 11,590,396	\$ 12,359,977
Net realized gain on investments	37,428,311	30,465,396
Change in unrealized appreciation on investments	118,292,094	(18,061,920)
Change in accumulated other comprehensive income (note 5)	899,149	91,182
<i>Increase in net assets resulting from operations</i>	168,209,950	24,854,635
Distributions to Shareholders from:		
Net investment income	(12,044,136)	(10,772,359)
Net realized gain from investment transactions	(37,060,004)	(30,264,253)
<i>Decrease in net assets from distributions</i>	(49,104,140)	(41,036,612)
From Capital Share Transactions:		
Value of shares issued in payment of distributions (note 4)	18,698,338	16,022,167
Cost of shares purchased (note 4)	(7,441,145)	—
Deferred compensation (notes 4, 6)	338,368	337,580
<i>Increase in net assets from capital share transactions</i>	11,595,561	16,359,747
Total Increase in Net Assets	130,701,371	177,770
Net Assets:		
Beginning of year	732,988,462	732,810,692
End of year (including undistributed net investment income of \$585,938 and \$1,210,241, respectively)	\$863,689,833	\$732,988,462

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

1. SIGNIFICANT ACCOUNTING POLICIES

Petroleum & Resources Corporation (the Fund) is registered under the Investment Company Act of 1940 as a non-diversified investment company. The Fund is an internally-managed closed-end fund specializing in petroleum and other natural resource investments. The investment objectives of the Fund are preservation of capital, the attainment of reasonable income from investments, and an opportunity for capital appreciation.

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates made by Fund management. Management believes that estimates and security valuations are appropriate; however, actual results may differ from those estimates, and the security valuations reflected in the financial statements may differ from the value the Fund ultimately realizes upon sale of the securities.

Expenses — The Fund shares certain costs for investment research and data services, administration and operations, travel, training, office expenses, occupancy, accounting and legal services, insurance, and other miscellaneous items with its non-controlling affiliate, The Adams Express Company. Shared expenses that are not solely attributable to one fund are allocated to each fund based on relative net asset values or, in the case of investment research staff and related costs, relative market values of portfolio securities in the particular sector of coverage. Expense allocations are updated quarterly, as appropriate, except for those related to payroll, which are updated annually.

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 specific identification. Dividend income and distributions to shareholders are recognized on the ex-dividend date, and interest income is recognized on the accrual basis.

Security Valuation — The Fund’s investments are reported at fair value as defined under accounting principles generally accepted in the United States of America. Investments in securities traded on national

security 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 and money market funds) are valued at amortized cost, which approximates fair value. Purchased and written options are valued at the last quoted bid and asked price, respectively. Money market funds are valued at net asset value on the day of valuation.

Various inputs are used to determine the fair value of the Fund’s investments. These inputs are summarized in the following three levels:

- Level 1 — fair value is determined based on market data obtained from independent sources; for example, quoted prices in active markets for identical investments,
- Level 2 — fair value is determined using other assumptions obtained from independent sources; for example, quoted prices for similar investments,
- Level 3 — fair value is determined using the Fund’s own assumptions, developed based on the best information available in the circumstances.

The Fund’s investments at December 31, 2013 were classified as follows:

	Level 1	Level 2	Level 3	Total
Common stocks	\$864,155,248	\$ —	\$ —	\$864,155,248
Short-term investments	865,740	—	—	865,740
Securities lending collateral	7,980,044	—	—	7,980,044
Total investments	\$873,001,032	\$ —	\$ —	\$873,001,032
Written options	\$ (1,387,160)	\$ —	\$ —	\$ (1,387,160)

There were no transfers into or from Level 1 or Level 2 during the year ended December 31, 2013.

New Accounting Pronouncements — In February 2013, the Financial Accounting Standards Board issued new guidance, effective for annual and interim periods beginning after December 15, 2012, requiring disclosure of items reclassified out of accumulated other comprehensive income. Adoption of this guidance had no effect on Fund net assets or results of operations and no material impact on the financial statements.

2. FEDERAL INCOME TAXES

No federal income tax provision is required since the Fund's policy is to qualify as a regulated investment company under the Internal Revenue Code and to distribute substantially all of its taxable income to its shareholders. Additionally, management has analyzed and concluded that tax positions included in federal income tax returns from the previous three years that remain subject to examination do not require any provision. Any income tax-related interest or penalties would be recognized as income tax expense. As of December 31, 2013, the identified cost of securities for federal income tax purposes was \$470,132,270 and net unrealized appreciation aggregated \$402,868,762, consisting of gross unrealized appreciation of \$415,801,179 and gross unrealized depreciation of \$12,932,417.

Distributions are determined in accordance with our annual 6% minimum distribution rate commitment, based on the Fund's average market price, and income tax regulations, which may differ from generally accepted accounting principles. Such differences are primarily related to the Fund's retirement plans and equity-based compensation. Differences that are permanent, while not material for the year ended December 31, 2013, are reclassified in the capital accounts of the Fund's financial statements and have no impact on net assets. For tax purposes, distributions paid by the Fund during the years ended December 31, 2013 and December 31, 2012 were classified as ordinary income of \$14,916,062 and \$11,021,223, respectively, and as long-term capital gain of \$34,182,041 and \$29,988,685, respectively. The tax basis of distributable earnings at December 31, 2013 was \$907,706 of undistributed ordinary income and \$1,543,208 of undistributed long-term capital gain.

3. INVESTMENT TRANSACTIONS

The Fund's investment decisions are made by the portfolio management team with recommendations from the research staff. Purchases and sales of portfolio securities, other than options and short-term investments, during the year ended December 31, 2013 were \$150,113,656 and \$166,636,066, respectively.

The Fund is subject to changes in the value of equity securities held ("equity price risk") in the normal course of pursuing its investment objectives. The Fund

may purchase and write option contracts to increase or decrease its equity price risk exposure or may write option contracts to generate additional income. Option contracts generally entail risks associated with counterparty credit, liquidity, and unfavorable equity price movements. The Fund has mitigated counterparty credit and liquidity risks by trading its options through an exchange. The risk of unfavorable equity price movements is limited for purchased options to the premium paid and for written options by writing only covered call or collateralized put option contracts, which require the Fund to segregate certain securities or cash at its custodian when the option is written. A schedule of outstanding option contracts as of December 31, 2013 can be found on page 17.

When the Fund writes (purchases) an option, an amount equal to the premium received (paid) by the Fund is recorded as a liability (asset) and is subsequently marked to market daily in the Statement of Assets and Liabilities, with any related change recorded as an unrealized gain or loss in the Statement of Operations. Premiums received (paid) from unexercised options are treated as realized gains (losses) on the expiration date and are separately identified in the Statement of Operations. Upon the exercise of written put (purchased call) option contracts, premiums received (paid) are deducted from (added to) the cost basis of the underlying securities purchased. Upon the exercise of written call (purchased put) option contracts, premiums received (paid) are added to (deducted from) the proceeds from the sale of underlying securities in determining whether there is a realized gain or loss.

Transactions in written covered call and collateralized put options during the year ended December 31, 2013 were as follows:

	Covered Calls		Collateralized Puts	
	Contracts	Premiums	Contracts	Premiums
Options outstanding, December 31, 2012	6,515	\$ 753,921	4,053	\$ 854,856
Options written	25,177	2,705,617	19,393	2,269,638
Options terminated in closing purchase transactions	(4,955)	(479,523)	(501)	(102,881)
Options expired	(18,962)	(1,934,852)	(18,245)	(2,427,732)
Options exercised	(3,235)	(452,206)	(1,050)	(184,696)
Options outstanding, December 31, 2013	4,540	\$ 592,957	3,650	\$ 409,185

4. CAPITAL STOCK

The Fund has 5,000,000 authorized and unissued preferred shares, \$0.001 par value.

On December 27, 2013, the Fund issued 705,273 shares of its Common Stock at a price of \$26.48 per share (the average market price on December 9, 2013) to shareholders of record on November 25, 2013 who elected to take stock in payment of the distribution from 2013 capital gain and investment income. During 2013, 870 shares were issued at a weighted average price of \$26.43 per share as dividend equivalents to holders of deferred stock units and restricted stock units under the 2005 Equity Incentive Compensation Plan.

On December 27, 2012, the Fund issued 670,735 shares of its Common Stock at a price of \$23.865 per share (the average market price on December 10, 2012) to shareholders of record on November 19, 2012 who elected to take stock in payment of the distribution from 2012 capital gain and investment income. During 2012, 612 shares were issued at a weighted average price of \$24.59 per share as dividend equivalents to holders of deferred stock units and restricted stock units under the 2005 Equity Incentive Compensation Plan.

The Fund 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 2013 and 2012 were as follows:

	Shares		Amount	
	2013	2012	2013	2012
Shares issued in payment of distributions	706,143	671,347	\$18,698,338	\$16,022,167
Shares purchased (at a weighted average discount from net asset value of 14.5%)	(278,744)	—	(7,441,145)	—
Net activity under the 2005 Equity Incentive Compensation Plan	22,228	13,236	338,368	337,580
Net change	449,627	684,583	\$11,595,561	\$16,359,747

5. RETIREMENT PLANS

Defined Contribution Plans — The Fund sponsors a qualified defined contribution plan for all employees with at least six months of service and a nonqualified defined contribution plan for eligible employees to supplement the qualified plan. The Fund expensed contributions to the plans in the amount of \$160,653, a portion thereof based on company performance, for the year ended December 31, 2013. The Fund does not provide postretirement medical benefits.

Defined Benefit Plans — On October 1, 2009, the Fund froze its non-contributory qualified and nonqualified defined benefit pension plans. Benefits are based on length of service and compensation during the last five years of employment through September 30, 2009, with no additional benefits being accrued beyond that date. The process of terminating the plans will begin in 2014. Upon receiving the required regulatory approvals, all benefits under the Plans will be paid out and all related pension liabilities will be relieved.

The funded status of the plans is recognized as an asset (overfunded plan) or a liability (underfunded plan) in the Statement of Assets and Liabilities. Changes in the prior service costs and accumulated actuarial gains and losses are recognized as accumulated other comprehensive income, a component of net assets, in the year in which the changes occur and are subsequently amortized into net periodic pension cost. Non-recurring settlement costs are recognized in net periodic pension cost when a plan participant receives a lump-sum benefit payment and includes the amount of which is in excess of the present value of the projected benefit and any unamortized actuarial losses attributable to the portion of the projected benefit obligation being satisfied.

The Fund'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 Fund deems appropriate in order to provide assets sufficient to meet benefits to be paid to plan participants. The Fund contributed \$0 to the qualified plan and \$48,020 to the nonqualified plan in 2013 and anticipates making contributions of \$98,457 to the nonqualified plan in 2014.

The Fund uses a December 31 measurement date for its plans. Details in aggregate for the plans were as follows:

	2013	2012
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 7,224,455	\$ 6,847,353
Interest cost	219,235	235,120
Actuarial loss	68,167	593,010
Benefits paid	(90,838)	(74,025)
Effect of settlement (non-recurring)	(2,200,177)	(377,003)
Benefit obligation at end of year	\$ 5,220,842	\$ 7,224,455
Change in qualified plan assets		
Fair value of qualified plan assets at beginning of year	\$ 6,490,137	\$ 4,415,557
Actual return on plan assets	263,277	494,400
Employer contributions	—	2,000,000
Benefits paid	(42,817)	(42,817)
Settlement (non-recurring)	(2,200,177)	(377,003)
Fair value of qualified plan assets at end of year	\$ 4,510,420	\$ 6,490,137
Funded status	\$ (710,422)	\$ (734,318)

The accumulated benefit obligation for all defined benefit pension plans was \$5,220,842 and \$7,224,455 at December 31, 2013 and 2012, respectively.

The primary investment objective of the Fund's qualified pension plan assets is capital preservation, achieved through a portfolio of mutual funds and pooled separate accounts ("PSA"). PSAs, like mutual funds, are made up of a wide variety of underlying investments in securities. The Fund's targeted asset allocation for 2014 is to maintain approximately 60% of plan assets invested in short-term fixed income securities and approximately 40% of plan assets invested in cash and money market securities. In 2013, the plan sold 26,271 shares of The Adams Express Company stock (an affiliated company) to The Adams Express Company for proceeds of \$330,489, based on the closing market price on the date of the transaction.

The net asset value of mutual funds and PSAs are based on the fair value of its underlying investments. The fair value of the plan assets is determined using various inputs, summarized into the three levels described in footnote 1. The plan assets at December 31, 2013 were classified as follows:

	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ —	\$ 2,689,450	\$ —	\$ 2,689,450
Money market securities	1,817,402	3,568	—	1,820,970
Total	\$ 1,817,402	\$ 2,693,018	\$ —	\$ 4,510,420

Items impacting the Fund's net investment income and accumulated other comprehensive income were:

	2013	2012
Components of net periodic pension cost		
Interest cost	\$ 219,235	235,120
Expected return on plan assets	(206,382)	(221,440)
Net loss component	278,362	304,998
Effect of settlement (non-recurring)	641,408	112,241
Net periodic pension cost	\$ 932,623	\$ 430,919
Accumulated other comprehensive income		
Defined benefit pension plans:		
Balance at beginning of year	\$(1,942,503)	\$(2,033,685)
Net actuarial loss arising during period	(20,621)	(326,057)
Reclassifications to net periodic pension cost:		
Amortization of net loss	278,362	304,998
Effect of settlement (non-recurring)	641,408	112,241
Balance at end of year	\$(1,043,354)	\$(1,942,503)

Accumulated other comprehensive income was comprised of net actuarial losses of \$(1,043,354) and \$(1,942,503) at December 31, 2013 and 2012, respectively. In 2014, the Fund estimates that \$96,519 of net losses will be amortized from accumulated other comprehensive income into net periodic pension cost. Any remaining net losses will be recognized upon termination of the plans.

Assumptions used to determine benefit obligations were:

	2013	2012
Discount rate	3.82%	3.64%
Rate of compensation increase	—	—

The assumptions used to determine net periodic pension cost were:

	2013	2012
Discount rate	3.62%	4.00%
Expected long-term return on plan assets	4.00%	6.50%
Rate of compensation increase	—	—

The assumption used to determine expected long-term return on plan assets was based on historical and future expected returns of multiple asset classes in order to develop a risk-free real rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk-free real rate of return, and the associated risk premium. A weighted average rate was developed based on those overall rates and the target asset allocation of the plan.

The following benefit payments are eligible to be paid in the years indicated:

	Pension Benefits
2014	\$ 628,000
2015	161,000
2016	156,000
2017	2,000,000
2018	413,000
Years 2019-2023	870,000

6. EQUITY-BASED COMPENSATION

The 2005 Equity Incentive Compensation Plan (“2005 Plan”), adopted at the 2005 Annual Meeting and re-approved at the 2010 Annual Meeting, permits the grant of restricted stock awards (both performance and nonperformance-based), as well as stock options and other stock incentives, to all employees and non-employee directors. Performance-based restricted stock awards vest at the end of a specified three year period, with the ultimate number of shares earned contingent on achieving certain performance targets. If performance targets are not achieved, all or a portion of the performance-based restricted shares are forfeited and become available for future grants. Nonperformance-based restricted stock awards typically vest ratably over a three year period and nonperformance-based restricted stock units (granted to non-employee directors) vest over a one year period. Payment of awards may be deferred, if elected. The 2005 Plan provides for accelerated vesting in the event of death or retirement. Non-employee directors also may elect to defer a portion of their cash compensation, with such deferred amount to be paid by delivery of deferred stock units. Outstanding awards were granted at fair market value on grant date. The 2005 Plan provides for the issuance of up to 872,639 shares of the Fund’s Common Stock, of which 751,783 shares remain available for future grants at December 31, 2013.

A summary of the status of the Fund’s awards granted under the 2005 Plan as of December 31, 2013, and changes during the year then ended is presented below:

Awards	Shares/ Units	Weighted Average Grant-Date Fair Value
Balance at December 31, 2012	53,957	\$27.09
Granted:		
Restricted stock	36,301	25.76
Restricted stock units	2,800	25.81
Deferred stock units	2,810	25.89
Vested & issued	(19,177)	25.78
Forfeited	(14,963)	25.61
Balance at December 31, 2013 (includes 21,734 performance-based awards and 39,994 nonperformance-based awards)	61,728	\$27.41

Compensation cost resulting from awards granted under the 2005 Plan are based on the fair value of the award on grant date (determined by the average of the high and low price on grant date) and recognized on a straight-line basis over the requisite service period. For those awards with performance conditions, compensation cost is based on the most probable outcome and, if such goals are not met, compensation cost is not recognized and any previously recognized compensation cost is reversed. The total compensation cost for restricted stock granted to employees for the year ended December 31, 2013 was \$308,647. The total compensation cost for restricted stock units granted to non-employee directors for the year ended December 31, 2013 was \$74,466. As of December 31, 2013, there was total unrecognized compensation cost of \$607,832, a component of additional capital surplus, related to nonvested equity-based compensation arrangements granted under the 2005 Plan. That cost is expected to be recognized over a weighted average period of 1.53 years. The total fair value of shares and units vested and issued during the year ended December 31, 2013 was \$484,953.

The Stock Option Plan of 1985 (“1985 Plan”) has been discontinued and, as of December 31, 2013, there were no remaining grants of stock options and stock appreciation rights outstanding.

A summary of option activity under the 1985 Plan as of December 31, 2013, and changes during the year then ended, is presented below:

	Options	Weighted- Average Exercise Price	Weighted- Average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2012	4,344	\$6.42	1.00	
Exercised	(4,344)	\$6.42	—	\$86,728
Outstanding at December 31, 2013	—	—	—	—

Compensation cost resulting from stock options and stock appreciation rights granted under the 1985 Plan is based on the intrinsic value of the award, recognized over the award’s vesting period, and remeasured at each reporting date through the date of settlement. The total compensation cost recognized for the year ended December 31, 2013 was \$10,686.

7. OFFICER AND DIRECTOR COMPENSATION

The aggregate remuneration paid during the year ended December 31, 2013 to officers and directors amounted to \$2,764,400, of which \$345,951 was paid as fees to directors who were not officers. These amounts represent the taxable income to the Fund's officers and directors and therefore differ from the amounts reported in the accompanying Statement of Operations that are recorded and expensed in accordance with generally accepted accounting principles.

8. PORTFOLIO SECURITIES LOANED

The Fund makes loans of securities to approved brokers to earn additional income. It receives as collateral cash deposits, U.S. Government securities, or bank letters of credit valued at 102% of the value of the securities on loan. The market value of the loaned securities is calculated based upon the most recent closing prices and any additional required collateral is delivered to the Fund on the next business day. Cash deposits are placed in a registered money market fund. The Fund 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 Fund also continues to receive interest or dividends on the securities loaned. Gain or loss in the fair value of securities loaned that may occur during the term of the loan will be for the account of the Fund. At December 31, 2013, the Fund had securities on loan of \$7,805,282 and held cash collateral of \$7,980,044. The Fund is indemnified by the Custodian, serving as lending agent, for loss of loaned securities and has the right under the lending agreement to recover the securities from the borrower on demand.

9. OPERATING LEASE COMMITMENTS

The Fund leases office space and equipment under operating lease agreements expiring at various dates through the year 2019. The Fund recognized rental expense of \$106,878 in 2013, and its minimum rental commitments are as follows:

2014	\$137,692
2015	142,040
2016	89,786
2017	41,018
2018 & 2019	45,649
Total	\$456,185

FINANCIAL HIGHLIGHTS

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Per Share Operating Performance					
Net asset value, beginning of year	\$27.84	\$28.58	\$30.73	\$26.75	\$22.49
Net investment income	0.44	0.48	0.41	0.35	0.28
Net realized gains and increase (decrease) in unrealized appreciation	5.93	0.48	(0.42)	4.97	5.37
Change in accumulated other comprehensive income (note 5)	0.03	—	(0.03)	0.01	0.10
Total from investment operations	6.40	0.96	(0.04)	5.33	5.75
Less distributions					
Dividends from net investment income	(0.46)	(0.42)	(0.39)	(0.32)	(0.37)
Distributions from net realized gains	(1.42)	(1.18)	(1.58)	(0.95)	(1.03)
Total distributions	(1.88)	(1.60)	(1.97)	(1.27)	(1.40)
Capital share repurchases	0.05	—	—	—	0.02
Reinvestment of distributions	(0.15)	(0.10)	(0.14)	(0.08)	(0.11)
Total capital share transactions	(0.10)	(0.10)	(0.14)	(0.08)	(0.09)
Net asset value, end of year	\$32.26	\$27.84	\$28.58	\$30.73	\$26.75
Market price, end of year	\$27.38	\$23.92	\$24.48	\$27.01	\$23.74
Total Investment Return					
Based on market price	22.7%	4.3%	(2.3)%	19.6%	30.3%
Based on net asset value	24.2%	4.0%	0.3%	20.8%	26.7%
Ratios/Supplemental Data					
Net assets, end of year (in 000's)	\$863,690	\$732,988	\$732,811	\$761,736	\$650,718
Ratio of expenses to average net assets*	0.78%	0.65%	0.56%	0.64%	0.96%
Ratio of net investment income to average net assets**	1.44%	1.67%	1.29%	1.32%	1.18%
Portfolio turnover	18.7%	11.7%	16.4%	16.8%	14.4%
Number of shares outstanding at end of year (in 000's)	26,775	26,326	25,641	24,790	24,327

* The ratios of expenses to average net assets were 0.70%, 0.64%, and 0.78% in 2013, 2012, and 2009, respectively, after adjusting for non-recurring pension expenses as described in footnote 5.

** The ratios of net investment income to average net assets were 1.52%, 1.68%, and 1.36% in 2013, 2012, and 2009, respectively, after adjusting for non-recurring pension expenses as described in footnote 5.

SCHEDULE OF INVESTMENTS

December 31, 2013

	Shares	Value (A)
Common Stocks — 100.1%		
Energy — 79.5%		
<i>Exploration & Production — 25.8%</i>		
Anadarko Petroleum Corp.	300,000	\$ 23,796,000
Cabot Oil & Gas Corp.	330,000	12,790,800
ConocoPhillips	275,000	19,428,750
Devon Energy Corp. (E)	79,000	4,887,730
Energen Corp. (E)	175,000	12,381,250
EOG Resources, Inc.	175,000	29,372,000
EQT Corp.	160,000	14,364,800
Marathon Oil Corp.	396,000	13,978,800
Newfield Exploration Co. (C)	270,000	6,650,100
Noble Energy, Inc.	305,000	20,773,550
Oasis Petroleum, Inc. (C)	150,000	7,045,500
Occidental Petroleum Corp.	405,000	38,515,500
Pioneer Natural Resources Co.	75,000	13,805,250
QEP Resources, Inc. (with attached rights)	165,000	5,057,250
		<u>222,847,280</u>
<i>Integrated Oil & Gas — 30.8%</i>		
Chevron Corp.	763,200	95,331,312
Exxon Mobil Corp. (E)(F)	1,483,430	150,123,116
Hess Corp.	250,000	20,750,000
		<u>266,204,428</u>
<i>Pipelines — 2.2%</i>		
Kinder Morgan Inc.	250,000	9,000,000
Williams Companies, Inc.	250,000	9,642,500
		<u>18,642,500</u>
<i>Refiners — 3.7%</i>		
HollyFrontier Corp.	110,000	5,465,900
Phillips 66	345,275	26,631,061
		<u>32,096,961</u>
<i>Services — 17.0%</i>		
Baker Hughes, Inc.	60,000	3,315,600
FMC Technologies, Inc. (C)	150,000	7,831,500
Halliburton Co.	493,870	25,063,903
Nabors Industries Ltd.	319,000	5,419,810
National Oilwell Varco, Inc. (E)	200,000	15,906,000
Oil States International Inc. (C)(E)	100,000	10,172,000
Schlumberger Ltd.	625,000	56,318,750
Seadrill Ltd. (B)	200,003	8,216,123
Transocean Ltd. (C)	170,000	8,401,400
Weatherford International, Ltd. (C)	400,000	6,196,000
		<u>146,841,086</u>

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2013

	Principal/ Shares	Value (A)
Basic Materials — 19.7%		
<i>Chemicals — 16.5%</i>		
CF Industries Holdings, Inc. (E)	84,069	\$ 19,591,440
Dow Chemical Co.	547,500	24,309,000
Eastman Chemical Co.	166,000	13,396,200
E.I. du Pont de Nemours and Co. (E)	125,000	8,121,250
FMC Corp.	100,000	7,546,000
LyondellBasell Industries N.V. (Class A)	345,000	27,696,600
Monsanto Co.	194,400	22,657,320
Praxair, Inc.	150,000	19,504,500
		<u>142,822,310</u>
<i>Gold & Precious Metals — 0.6%</i>		
SPDR Gold Trust (C)(E)	45,000	5,227,650
<i>Industrial Metals — 2.1%</i>		
Freeport-McMoRan Copper & Gold Inc.	487,000	18,379,380
<i>Mining — 0.5%</i>		
Peabody Energy Corp	202,440	3,953,653
Utilities — 0.9%		
National Fuel Gas Co. (E)	100,000	7,140,000
Total Common Stocks		
(Cost \$461,286,486)		<u>864,155,248</u>
Short-Term Investments — 0.1%		
Money Market Account — 0.1%		
M&T Bank, 0.15%	\$735,740	<u>735,740</u>
Money Market Funds — 0.0%		
Fidelity Institutional Money Market - Money Market Portfolio (Institutional Class), 0.07% (D)	100,000	100,000
RBC U.S. Government Money Market (Institutional Class I), 0.01% (D)	10,000	10,000
Vanguard Federal Money Market, 0.01% (D)	10,000	10,000
Western Asset Institutional Government Reserves (Institutional Class), 0.04% (D)	10,000	10,000
		<u>130,000</u>
Total Short-Term Investments		
(Cost \$865,740)		<u>865,740</u>

SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2013

	Shares	Value (A)
Securities Lending Collateral — 0.9%		
(Cost \$7,980,044)		
Money Market Funds 0.9%		
Invesco Short-Term Investment Trust - Liquid Assets Portfolio (Institutional Class), 0.07% (D)	7,980,044	<u>\$ 7,980,044</u>
Total Investments — 101.1%		
(Cost \$470,132,270)		873,001,032
Cash, receivables, prepaid expenses and other assets, less liabilities - (1.1)% . . .		<u>(9,311,199)</u>
Net Assets — 100.0%		<u>\$863,689,833</u>

Notes:

- (A) Common stocks are listed on the New York Stock Exchange or the NASDAQ and are valued at the last reported sale price on the day of valuation. See note 1 to financial statements.
- (B) A portion of shares held are on loan. See note 8 to financial statements.
- (C) Presently non-dividend paying.
- (D) Rate presented is as of period-end and represents the annualized yield earned over the previous seven days.
- (E) All or a portion of this security is pledged to cover open written call option contracts. Aggregate market value of such pledged securities is \$44,371,430.
- (F) All or a portion of this security is pledged to collateralize open written put option contracts with an aggregate market value to deliver upon exercise of \$30,400,000.

CHANGES IN PORTFOLIO SECURITIES

The unaudited list of quarterly changes in the Fund’s portfolio securities can be found on the Fund’s website at www.peteres.com under “Investment Information”.

SCHEDULE OF OUTSTANDING WRITTEN OPTION CONTRACTS

December 31, 2013

Contracts (100 shares each)	Security	Strike Price	Contract Expiration Date	Value
COVERED CALLS				
400	CF Industries Holdings, Inc.	\$ 240	Jan 14	\$ 83,600
790	Devon Energy Corp.	65	Jan 14	18,960
500	E.I. du Pont de Nemours and Co.	62.50	Jan 14	138,500
300	Energen Corp.	90	Jan 14	6,000
750	Exxon Mobil Corp.	95	Jan 14	487,500
500	Exxon Mobil Corp.	95	Apr 14	360,000
500	National Fuel Gas Co.	70	Jan 14	107,500
500	Oil States International Inc.	130	Mar 14	15,000
150	SPDR Gold Trust	145	Feb 14	1,200
150	SPDR Gold Trust	143	Mar 14	3,000
<u>4,540</u>				<u>1,221,260</u>
COLLATERALIZED PUTS				
500	Baker Hughes, Inc.	50	Apr 14	56,500
400	CF Industries Holdings, Inc.	170	Jan 14	6,400
250	EOG Resources, Inc.	150	Jan 14	5,000
500	Exxon Mobil Corp.	77.50	Jan 14	1,500
500	Exxon Mobil Corp.	75	Apr 14	6,500
500	HollyFrontier Corp.	39.50	Jan 14	2,500
500	LyondellBasell Industries N.V. (Class A)	65	Jan 14	5,000
500	Oil States International Inc.	90	Mar 14	82,500
<u>3,650</u>				<u>165,900</u>
	Total Option Liability (Unrealized Loss of \$385,018)			<u>\$1,387,160</u>

**To the Board of Directors and Shareholders 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 (the Fund) at December 31, 2013, 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 Fund’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, 2013 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Baltimore, Maryland

February 14, 2014

HISTORICAL FINANCIAL STATISTICS

(unaudited)

Year	Value of Net Assets	Shares Outstanding*	Net Asset Value Per Share*	Market Value Per Share*	Income Dividends Per Share*	Capital Gains Distributions Per Share*	Total Dividends and Distributions Per Share*	Annual Distribution Rate**
1999	\$565,075,001	21,471,270	\$26.32	\$21.50	\$.48	\$1.07	\$1.55	7.1%
2000	688,172,867	21,053,644	32.69	27.31	.39	1.35	1.74	6.9
2001	526,491,798	21,147,563	24.90	23.46	.43	1.07	1.50	5.6
2002	451,275,463	21,510,067	20.98	19.18	.43	.68	1.11	5.1
2003	522,941,279	21,736,777	24.06	23.74	.38	.81	1.19	5.8
2004	618,887,401	21,979,676	28.16	25.78	.44	.88	1.32	5.4
2005	761,913,652	21,621,072	35.24	32.34	.56	1.22	1.78	5.9
2006	812,047,239	22,180,867	36.61	33.46	.47	3.33	3.80	11.2
2007	978,919,829	22,768,250	42.99	38.66	.49	3.82	4.31	11.6
2008	538,936,942	23,958,656	22.49	19.41	.38	2.61	2.99	8.9
2009	650,718,323	24,327,307	26.75	23.74	.37	1.03	1.40	6.6
2010	761,735,503	24,789,698	30.73	27.01	.32	.95	1.27	5.5
2011	732,810,692	25,641,018	28.58	24.48	.39	1.58	1.97	7.1
2012	732,988,462	26,325,601	27.84	23.92	.42	1.18	1.60	6.4
2013	863,689,833	26,775,228	32.26	27.38	.46	1.42	1.88	7.2

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

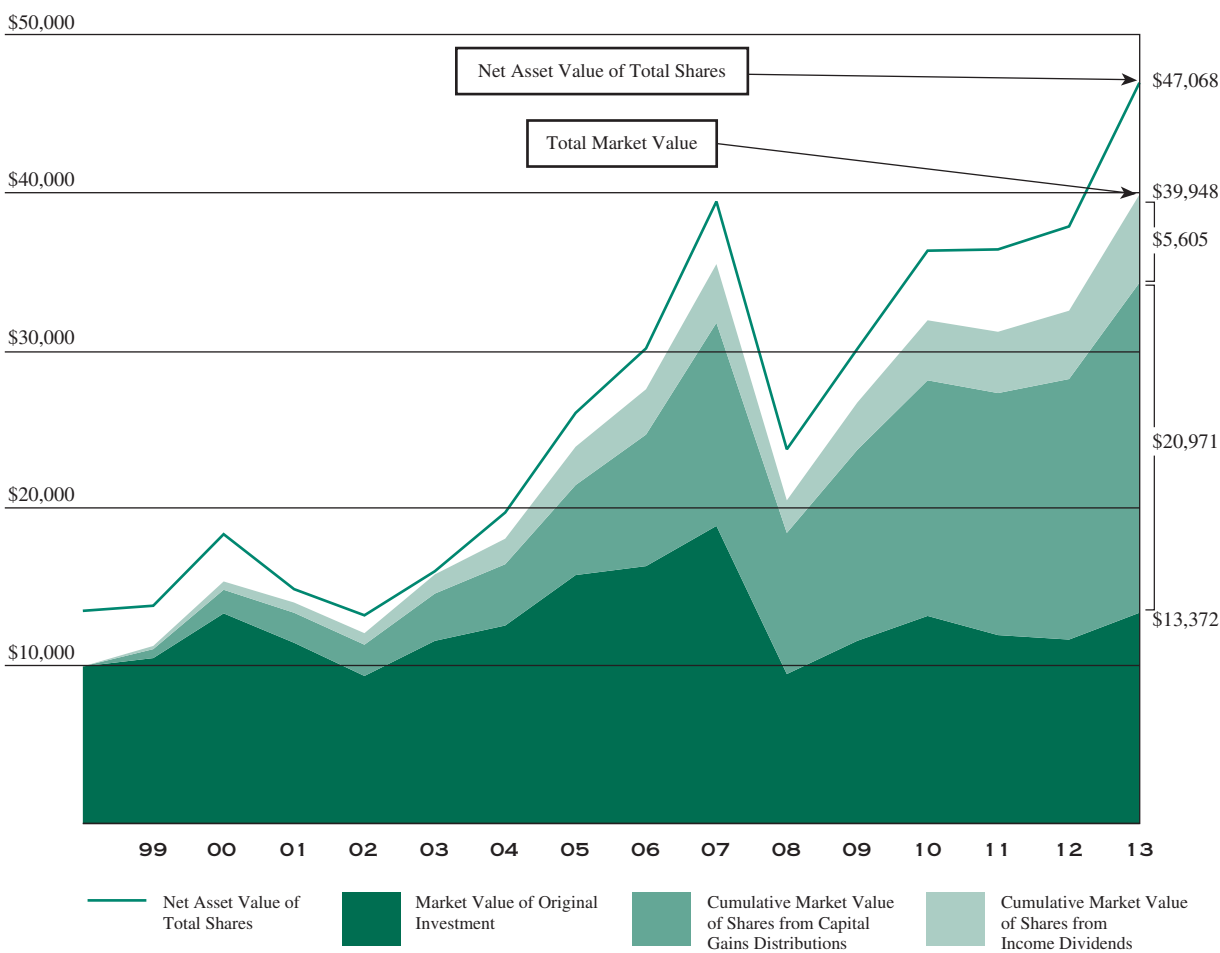
** The annual distribution rate is the total dividends and capital gain distributions during the year divided by the average month-end market price of the Fund's Common Stock for the calendar year in years prior to 2012 and for the twelve months ended October 31 beginning in 2012, which is consistent with the calculation to determine the annual minimum distribution rate commitment announced in September 2012.

(unaudited)

Calendar year-end	Market value of original investment	Cumulative market value of shares from capital gains distributions	Cumulative market value of shares from income dividends	Total market value	Net asset value of total shares
1999	\$10,501	\$ 564	\$ 227	\$11,292	\$13,823
2000	13,338	1,513	508	15,359	18,384
2001	11,458	1,918	648	14,024	14,885
2002	9,367	1,970	759	12,096	13,231
2003	11,595	3,011	1,207	15,813	16,026
2004	12,591	3,862	1,632	18,085	19,754
2005	15,795	5,683	2,443	23,921	26,066
2006	16,342	8,350	2,871	27,563	30,158
2007	18,881	12,908	3,726	35,515	39,493
2008	9,480	8,959	2,084	20,523	23,780
2009	11,595	12,144	2,993	26,732	30,121
2010	13,192	14,942	3,832	31,966	36,368
2011	11,956	15,391	3,890	31,237	36,469
2012	11,682	16,554	4,331	32,567	37,906
2013	13,372	20,971	5,605	39,948	47,068

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

Investment income dividends and capital gains distributions are taken in additional shares. This chart covers the years 1999–2013. 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 shareholders on income dividends, 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.



DIVIDEND PAYMENT SCHEDULE

The Fund 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, the net realized capital gain earned through October 31 and, if applicable, a return of capital. Shareholders may elect to receive the year-end distribution in stock or cash. In connection with this distribution, all shareholders of record are sent a dividend announcement notice and an election card in mid-November. **Shareholders holding shares in “street” or brokerage accounts may make their election 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 Corporation (AST). The Plan provides registered shareholders and interested first time investors an affordable alternative for buying, selling, and reinvesting in Fund shares. A brochure which further details the benefits and features of INVESTORS CHOICE as well as an enrollment form may be obtained by contacting AST.

The costs to participants in administrative service fees and brokerage commissions for each type of transaction are listed below. *Fees are subject to change at any time.*

<p>Fees: Initial Enrollment and Optional Cash Investments: Service Fee \$2.50 per investment Brokerage Commission \$0.05 per share</p> <p>Reinvestment of Dividends*: Service Fee 2% of amount invested (maximum of \$2.50 per investment) Brokerage Commission \$0.05 per share</p> <p>Sale of Shares: Service Fee \$10.00 Brokerage Commission \$0.05 per share</p> <p>Deposit of Certificates for safekeeping \$7.50 (waived if sold)</p> <p>Book to Book Transfers Included <i>To transfer shares to another participant or to a new participant</i></p> <p><small>* 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.</small></p>	<p>Minimum and Maximum Cash Investments: Initial minimum investment (non-holders) \$500</p> <p>Minimum optional investment (existing holders) \$50</p> <p>Electronic Funds Transfer (monthly minimum) \$50</p> <p>Maximum per transaction \$25,000</p> <p>Maximum per year NONE</p> <p>INVESTORS CHOICE Mailing Address: Attention: Dividend Reinvestment P.O. Box 922 Wall Street Station New York, NY 10269-0560 Website: www.amstock.com E-mail: info@amstock.com</p>
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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.

ELECTRONIC DELIVERY OF SHAREHOLDER REPORTS

The Fund offers shareholders the benefits and convenience of viewing Quarterly and Annual Reports and other shareholder materials on-line. With your consent, paper copies of these documents will cease with the next mailing and will be provided via e-mail. Reduce paper mailed to your home and help lower the Fund’s printing and mailing costs. To enroll, please visit the following websites:

Registered shareholders with AST: www.amstock.com/main

Shareholders using brokerage accounts: <http://enroll.icsdelivery.com/PEO>

BOARD OF DIRECTORS

Personal Information	Position Held with the Fund	Term of Office	Length of Time Served	Principal Occupations	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 72	Director	One Year	Since 1987	Professor of Finance and Economics at the Graduate School of Business, Columbia University, formerly Vice Dean of Academic Affairs.	Two	Director of The Adams Express Company (closed-end fund), Aberdeen Asset Management Funds (6 closed-end funds), Credit Suisse Asset Management Funds (2 closed-end funds and 9 open-end funds), and Mirae Asset Discovery Funds (6 open-end funds). In addition, within the past five years, Dr. Arzac served as a director of Epoch Holdings Corporation (an investment management and investment advisory services company) and Starcomms Plc (telecommunications company).
Phyllis O. Bonanno 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 70	Director	One Year	Since 2003	Retired President & CEO of International Trade Solutions, Inc. (consultants). Formerly, President of Columbia College, Columbia, South Carolina, and Corporate Vice President of Warnaco, Inc. (apparel).	Two	Director of The Adams Express Company (closed-end fund) and Borg-Warner Inc. (industrial). In addition, within the past five years, Ms. Bonanno served as a director of Mohawk Industries, Inc. (carpets and flooring).
Kenneth J. Dale 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 57	Director	One Year	Since 2008	Senior Vice President and Chief Financial Officer of The Associated Press. Formerly, Vice President, JPMorgan Chase & Co. Inc.	Two	Director of The Adams Express Company (closed-end fund).
Frederic A. Escherich 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 61	Director	One Year	Since 2006	Private Investor. Formerly, Managing Director and head of Mergers and Acquisitions Research and the Financial Advisory Department with JPMorgan & Co. Inc.	Two	Director of The Adams Express Company (closed-end fund).
Roger W. Gale, Ph.D. 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 67	Director	One Year	Since 2005	President & CEO of GF Energy, LLC (consultants to electric power companies). Formerly, member of management group of PA Consulting Group (energy consultants).	Two	Director of The Adams Express Company (closed-end fund) and during the past five years also served as a director of Ormat Technologies, Inc. (geothermal and renewable energy).

BOARD OF DIRECTORS (CONTINUED)

Personal Information	Position Held with the Fund	Term of Office	Length of Time Served	Principal Occupations	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships
Independent Directors (continued)						
Kathleen T. McGahran, Ph.D., J.D., CPA 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 63	Director, Chair of the Board	One Year	Since 2003	President & CEO of Pelham Associates, Inc. (an executive education provider) and Senior Lecturer at Yale University's School of Management. Formerly, Associate Dean & Director of Executive Education and Associate Professor, Columbia University, and Adjunct Associate Professor, Stern School of Business, New York University and Tuck School of Business, Dartmouth College.	Two	Director of The Adams Express Company (closed-end fund).
Craig R. Smith, M.D. 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 67	Director	One Year	Since 2005	Chief Operating Officer and Manager of Algenol LLC (ethanol manufacturing). Formerly, President, Williston Consulting LLC (consultants to pharmaceutical and biotechnology industries) and Chairman, President & CEO of Guilford Pharmaceuticals (pharmaceuticals and biotechnology).	Two	Director of The Adams Express Company (closed-end fund) and during the past five years also served as a director of LaJolla Pharmaceutical Company, Depomed, Inc. (specialty pharmaceuticals), and Algenol Biofuels, Inc. (ethanol manufacturing).
Interested Director						
Mark E. Stoeckle 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 57	Director and CEO	One Year	Since 2013	CEO of the Fund and CEO of The Adams Express Company.	Two	Director of The Adams Express Company (closed-end fund).

This report, including the financial statements herein, is transmitted to the shareholders 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 Fund 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 no guarantee of future investment results.

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 Fund 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 Fund's Forms N-Q are available on the Commission's website at www.sec.gov. The Fund'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 Fund also posts a link to its Forms N-Q on its website: www.peteres.com under the headings "Investment Information", "Financial Reports" and then "SEC Filings".

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 Fund uses to determine how to vote proxies relating to portfolio securities owned by the Fund and the Fund's proxy voting record for the 12-month period ended June 30, 2013 are available (i) without charge, upon request, by calling the Fund's toll free number at (800) 638-2479; (ii) on the Fund's website: www.peteres.com under the headings "About Petroleum & Resources" and "Corporate Information"; and (iii) on the Securities and Exchange Commission's website: 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 Fund's actual results are the performance of the portfolio of stocks held by the Fund, the conditions in the U.S. and international financial, petroleum and other markets, the price at which shares of the Fund will trade in the public markets, and other factors discussed in the Fund's periodic filings with the Securities and Exchange Commission.

PRIVACY POLICY

In order to conduct its business, the Fund, through its transfer agent, American Stock Transfer & Trust Company, collects and maintains certain nonpublic personal information about our shareholders of record with respect to their transactions in shares of our securities. This information includes the shareholder's address, tax identification or Social Security number, share balances, and dividend elections. We do not collect or maintain personal information about shareholders 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 shareholders or our former shareholders 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 shareholders to those employees who need to know that information to provide services to our shareholders. We also maintain certain other safeguards to protect your nonpublic personal information.

Board Of Directors

Enrique R. Arzac ^{1,3,5}	Roger W. Gale ^{2,4}
Phyllis O. Bonanno ^{1,3,5}	Kathleen T. McGahran ^{1,2,3,5,6}
Kenneth J. Dale ^{2,4}	Craig R. Smith ^{3,5}
Frederic A. Escherich ^{1,4,5}	Mark E. Stoeckle ¹

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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
 5. Member of Nominating and Governance Committee
 6. Chair of the Board

Officers

Mark E. Stoeckle	<i>Chief Executive Officer</i>
Nancy J.F. Prue, CFA	<i>President</i>
James P. Haynie, CFA	<i>Executive Vice President</i>
Brian S. Hook, CFA, CPA	<i>Vice President, Chief Financial Officer and Treasurer</i>
Lawrence L. Hooper, Jr.	<i>Vice President, General Counsel and Secretary</i>
Michael A. Kijesky, CFA	<i>Vice President — Research</i>
Christine M. Sloan, CPA	<i>Assistant Treasurer</i>

Petroleum & Resources Corporation

Seven St. Paul Street, Suite 1140, Baltimore, MD 21202

(410) 752-5900 (800) 638-2479

Website: www.peteres.com

E-mail: contact@peteres.com

Counsel: Chadbourne & Parke LLP

Independent Registered Public Accounting Firm: PricewaterhouseCoopers LLP

Custodian of Securities: Brown Brothers Harriman & Co.

Transfer Agent & Registrar: American Stock Transfer & Trust Company, LLC

Stockholder Relations Department

6201 15th Avenue

Brooklyn, NY 11219

(866) 723-8330

Website: www.amstock.com

E-mail: info@amstock.com



PETROLEUM & RESOURCES CORPORATION

SEVEN ST. PAUL STREET

SUITE 1140

BALTIMORE, MD 21202

(410) 752-5900 or (800) 638-2479

www.peteres.com