

PETROLEUM & RESOURCES CORPORATION

Board of Directors

Enrique R. Arzac ^{2,4}	Douglas G. Ober ¹
Daniel E. Emerson ^{1,3}	Landon Peters ^{2,3}
Edward J. Kelly, III ^{1,4}	John J. Roberts ^{1,2}
Thomas H. Lenagh ^{1,4}	Susan C. Schwab ^{1,3}
W.D. MacCallan ^{3,4}	Robert J.M. Wilson ^{1,3}
W. Perry Neff ^{2,4}	

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

Stock Data

Price (3/31/03)	\$19.19
Net Asset Value (3/31/03)	\$20.45
Discount:	6.2%

New York Stock Exchange and Pacific Exchange
ticker symbol: PEO

NASDAQ Mutual Fund Quotation Symbol: XPEOX

Newspaper stock listings are generally under the
abbreviation: PetRs

Distributions in 2003

From Investment Income (paid or declared)	\$0.17
From Net Realized Gains	0.09
Total	<u>\$0.26</u>

2003 Dividend Payment Dates

March 1, 2003
June 1, 2003
September 1, 2003*
December 27, 2003*

*Anticipated

Petroleum & Resources Corporation

FIRST QUARTER REPORT

March 31, 2003



investing in resources
for the future®

We submit herewith the financial statements of the Corporation for the three months ended March 31, 2003. In addition, there is a schedule of investments provided along with other financial information.

Net assets of the Corporation at March 31, 2003 were \$20.45 per share on 21,460,567 shares outstanding, compared with \$20.98 per share at December 31, 2002 on 21,510,067 shares outstanding. On March 1, 2003, a distribution of \$0.13 per share was paid, consisting of \$0.09 from 2002 long-term capital gain, \$0.03 from 2002 investment income and \$0.01 from 2003 investment income, all taxable in 2003. A 2003 income dividend of \$0.13 per share has been declared to shareholders of record May 16, 2003, payable June 1, 2003.

Net investment income for the three months ended March 31, 2003 amounted to \$1,627,272, compared with \$1,608,637 for the same period in 2002. These earnings are equal to \$0.08 per share on the average number of shares outstanding during each period.

Net capital gain realized on investments for the three months ended March 31, 2003 amounted to \$2,245,818, the equivalent of \$0.10 per share.

The Annual Meeting, held on March 25, 2003 in Chicago, Illinois, was well attended by shareholders. The results of the voting at the Annual Meeting are shown on page 12.

As noted in a prior report, Mr. Richard F. Koloski retired from the Corporation effective March 31, 2003. Mr. Koloski had been with the Corporation for over twenty-four years, initially as an energy analyst. He was elected President and senior portfolio manager in 1986. Mr. Koloski's years of service were

recognized by the Board of Directors and shareholders at the Annual Meeting. His many contributions to the Corporation over the years are greatly appreciated by his colleagues and by the Board and his wisdom, particularly in the area of the energy industry, will be missed. We wish him the very best in his retirement.

Current and potential shareholders can find information about the Corporation, including the daily net asset value (NAV) per share, the market price, and the discount/premium to the NAV, at its site on the Internet. The address for the site is www.peteres.com. Also available at the website are a brief history of the Corporation, historical financial information, and more general industry material. Further information regarding shareholder services is located on page 13 of this report.

The Corporation is an internally-managed equity fund emphasizing petroleum and other natural resource investments. The investment policy of the fund is based on the primary objectives of preservation of capital, the attainment of reasonable income from investments, and an opportunity for capital appreciation.

By order of the Board of Directors,



Douglas G. Ober,
*Chairman, President and
Chief Executive Officer*

April 18, 2003

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2003

(unaudited)

Assets

Investments* at value:

Common stocks and convertible securities (cost \$284,358,676)	\$390,633,969	
Short-term investments (cost \$47,640,475)	47,640,475	\$438,274,444

Cash		56,694
Securities lending collateral		38,293,707
Receivables:		
Investment securities sold		12,500
Dividends and interest		489,582
Prepaid expenses and other assets		1,781,434
<i>Total Assets</i>		478,908,361

Liabilities

Investment securities purchased		190,988
Open written option contracts at value (proceeds \$172,944)		117,325
Obligations to return securities lending collateral		38,293,707
Accrued expenses		1,344,590
<i>Total Liabilities</i>		39,946,610

Net Assets	\$438,961,751
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Net Assets

Common Stock at par value \$1.00 per share, authorized 50,000,000 shares; issued and outstanding 21,460,567 shares	\$ 21,460,567
Additional capital surplus	306,757,064
Undistributed net investment income	2,242,389
Undistributed net realized gain on investments	2,170,819
Unrealized appreciation on investments	106,330,912
Net Assets Applicable to Common Stock	\$438,961,751
Net Asset Value Per Share of Common Stock	\$20.45

* See Schedule of Investments on pages 8 and 9.

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

S T A T E M E N T O F O P E R A T I O N S

*Three Months Ended March 31, 2003
(unaudited)*

Investment Income

Income:	
Dividends	\$ 2,214,916
Interest and other income	160,764
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<i>Total income</i>	2,375,680
<hr/>	
Expenses:	
Investment research	287,577
Administration and operations	165,733
Directors' fees	58,500
Reports and stockholder communications	77,823
Transfer agent, registrar and custodian expenses	44,659
Auditing and accounting services	19,259
Legal services	2,279
Occupancy and other office expenses	64,096
Travel, telephone and postage	15,573
Other	12,909
<hr/>	
<i>Total expenses</i>	748,408
<hr/>	
Net Investment Income	1,627,272
<hr/>	
Realized Gain and Change in Unrealized Appreciation on Investments	
Net realized gain on security transactions	2,245,818
Change in unrealized appreciation on investments	(12,449,695)
<hr/>	
Net Loss on Investments	(10,203,877)
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Change in Net Assets Resulting from Operations	\$ (8,576,605)

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

S T A T E M E N T S O F C H A N G E S I N N E T A S S E T S

	Three Months Ended March 31, 2003 (unaudited)	Year Ended December 31, 2002
From Operations:		
Net investment income	\$ 1,627,272	\$ 8,983,077
Net realized gain on investments	2,245,818	14,332,921
Change in unrealized appreciation on investments	(12,449,695)	(82,017,470)
<i>Change in net assets resulting from operations</i>	(8,576,605)	(58,701,472)
Dividends to Stockholders from:		
Net investment income	(859,774)	(9,069,217)
Net realized gain from investment transactions	(1,934,492)	(14,302,830)
<i>Decrease in net assets from distributions</i>	(2,794,266)	(23,372,047)
From Capital Share Transactions:		
Value of shares issued in payment of distributions	—	9,954,365
Cost of shares purchased (Note 4)	(942,841)	(3,097,181)
<i>Change in net assets from capital share transactions</i>	(942,841)	6,857,184
Total Decrease in Net Assets	(12,313,712)	(75,216,335)
Net Assets:		
Beginning of period	451,275,463	526,491,798
End of period (including undistributed net investment income of \$2,242,389 and \$1,474,891, respectively)	\$438,961,751	\$451,275,463

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 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) 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, including options, at March 31, 2003 was \$332,086,653, and net unrealized appreciation aggregated \$106,360,735, of which the related gross unrealized appreciation and depreciation were \$152,288,276 and \$45,927,541, respectively.

Distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. Accordingly, annual reclassifications are made within the Corporation's capital accounts to reflect income and gains available for distribution under income tax regulations.

3. INVESTMENT TRANSACTIONS

Purchases and sales of portfolio securities, other than options and short-term investments, during the three months ended March 31, 2003 were \$4,256,167 and \$3,821,999, 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 March 31, 2003 can be found on page 10.

Transactions in written covered call and collateralized put options during the three months ended March 31, 2003 were as follows:

	Covered Calls		Collateralized Puts	
	Contracts	Premiums	Contracts	Premiums
Options outstanding, December 31, 2002	625	\$ 58,228	300	\$ 32,392
Options written	450	57,598	900	137,445
Options terminated in closing purchase transactions	—	—	(100)	(10,143)
Options expired	(625)	(58,228)	(400)	(44,348)
Options outstanding, March 31, 2003	450	\$ 57,598	700	\$115,346

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

4. CAPITAL STOCK

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

On December 27, 2002, the Corporation issued 521,854 shares of its Common Stock at a price of \$19.075 per share (the average market price on December 9, 2002) to stockholders of record November 25, 2002 who elected to take stock in payment of the distribution from 2002 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 2003 and 2002 were as follows:

	Shares		Amount	
	Three months ended March 31, 2003	Year ended December 31, 2002	Three months ended March 31, 2003	Year ended December 31, 2002
Shares issued in payment of dividends	—	521,854	\$ —	\$ 9,954,365
Shares purchased (at a weighted average discount from net asset value of 8.5% and 8.9%, respectively)	(49,500)	(159,350)	(942,841)	(3,097,181)
Net change	(49,500)	362,504	\$(942,841)	\$ 6,857,184

The cost of the 64,400 shares of Common Stock held by the Corporation at March 31, 2003 and the 14,900 shares of Common Stock held at December 31, 2002 amounted to \$1,228,058 and \$285,217 on each respective date.

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 2003, there were 152,012 options outstanding at a weighted average exercise price of \$18.0662 per share. During the three months ended March 31, 2003, the Corporation granted options including stock appreciation rights for 21,258 shares of Common Stock with an exercise price of \$19.285. Stock options and stock appreciation rights relating to 25,943 shares, and having a weighted average exercise price of \$19.4609, were cancelled. At March 31, 2003, there were outstanding exercisable options to purchase 56,746 common shares at \$9.0317-\$25.2538 per share (weighted average price of \$16.0757) and unexercisable options to purchase 90,581 common shares at \$11.6367-\$25.2538 per share (weighted average price of \$19.0276). The weighted average remaining contractual life of outstanding exercisable and unexercisable options was 4.6275 years and 6.9297 years, respectively. The total compensation expense for stock options and stock appreciation rights recognized for the three months ended March 31, 2003 was \$(6,322). At March 31, 2003, there were 279,614 shares available for future option grants.

5. RETIREMENT PLANS

The Corporation provides retirement benefits for its employees under a non-contributory qualified defined benefit pen-

sion plan. The benefits are based on years of service and compensation during the last five years of employment. The Corporation's current funding policy is to contribute annually to the plan only those amounts that can be deducted for federal income tax purposes. As of March 31, 2003, the plan assets, consisting primarily of investments in individual stocks, bonds and mutual funds were \$3,916,196. In determining the actuarial present value of the projected benefit obligation, the interest rate used for the weighted average discount rate was 6.75%, the expected rate of annual salary increases was 7.0%, and the long-term expected rate of return on plan assets was 8.0%. The projected benefit obligation as of March 31, 2003 was \$4,233,752. Prepaid pension cost included in other assets at March 31, 2003 was \$1,445,775.

In addition, the Corporation has a nonqualified benefit plan which provides employees with defined retirement benefits to supplement the qualified plan. The Corporation does not provide postretirement medical benefits.

6. EXPENSES

The cumulative amount of accrued expenses at March 31, 2003 for employees and former employees of the Corporation was \$1,003,980. Aggregate remuneration paid or accrued during the three months ended March 31, 2003 to key employees and directors amounted to \$308,378.

7. PORTFOLIO SECURITIES LOANED

The Corporation makes loans of securities to brokers, secured by cash deposits, 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 at all times by collateral of at least 102% of the fair value of the securities loaned plus accrued interest. 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 Corporation. At March 31, 2003, the Corporation had securities on loan of \$36,408,208 and held collateral of \$38,293,707, consisting of cash, repurchase agreements, and commercial paper.

FINANCIAL HIGHLIGHTS

	Three Months Ended		Year Ended December 31				
	(unaudited)						
	March 31, 2003	March 31, 2002	2002	2001	2000	1999	1998
Per Share Operating Performance*							
Net asset value, beginning of period	\$20.98	\$24.90	\$24.90	\$32.69	\$26.32	\$22.87	\$27.64
Net investment income	0.08	0.08	0.42	0.49	0.37	0.48	0.55
Net realized gains and change in unrealized appreciation (depreciation) and other changes	(0.48)	1.44	(3.20)	(6.81)	7.67	4.67	(3.73)
Total from investment operations	(0.40)	1.52	(2.78)	(6.32)	8.04	5.15	(3.18)
Less distributions							
Dividends from net investment income	(0.04)	(0.04)	(0.43)	(0.43)	(0.39)	(0.48)	(0.52)
Distributions from net realized gains	(0.09)	(0.09)	(0.68)	(1.07)	(1.35)	(1.07)	(1.01)
Total distributions	(0.13)	(0.13)	(1.11)	(1.50)	(1.74)	(1.55)	(1.53)
Capital share repurchases	—	—	0.01	0.06	0.28	0.01	—
Reinvestment of distributions	—	—	(0.04)	(0.03)	(0.21)	(0.16)	(0.06)
Total capital share transactions	—	—	(0.03)	0.03	0.07	(0.15)	(0.06)
Net asset value, end of period	\$20.45	\$26.29	\$20.98	\$24.90	\$32.69	\$26.32	\$22.87
Per share market price, end of period	\$19.19	\$25.25	\$19.18	\$23.46	\$27.31	\$21.50	\$20.42
Total Investment Return							
Based on market price	0.7%	8.2%	(13.7)%	(8.7)%	36.1%	13.3%	(10.0)%
Based on net asset value	(1.9)%	6.1%	(11.1)%	(19.0)%	33.1%	23.8%	(11.1)%
Ratios/Supplemental Data							
Net assets, end of period (in 000' s)	\$438,962	\$556,010	\$451,275	\$526,492	\$688,173	\$565,075	\$474,821
Ratio of expenses to average net assets	0.68%†	0.62%†	0.49%	0.35%	0.59%	0.43%	0.31%
Ratio of net investment income to average net assets	1.47%†	1.22%†	1.84%	1.67%	1.24%	1.86%	2.13%
Portfolio turnover	3.89%†	2.68%†	9.69%	6.74%	7.68%	11.89%	12.70%
Number of shares outstanding at end of period (in 000' s)*	21,461	21,148	21,510	21,148	21,054	21,471	20,762

*Prior years have been adjusted to reflect the 3-for-2 stock split effected in October 2000. Certain prior year amounts have been reclassified to conform to current year presentation.

†Ratios presented on an annualized basis.

SCHEDULE OF INVESTMENTS

March 31, 2003

(unaudited)

	Shares	Value (A)		Shares	Value (A)
Stocks And Convertible Securities — 89.0%					
Energy — 77.6%					
Internationals — 26.5%					
BP plc ADR (B)	500,000	\$19,295,000		277,500	\$ 9,060,375
ChevronTexaco Corp.	300,000	19,395,000		200,000	420,000
Exxon Mobil Corp.	1,050,000	36,697,500		268,000	7,924,760
Royal Dutch Petroleum Co.	660,000	26,895,000		200,000	2,126,000
“Shell” Transport and Trading Co., plc ADR	150,000	5,433,000		120,000	1,119,600
TotalFinaElf ADR (B)	140,000	8,857,800		200,000	916,000
		116,573,300			75,412,715
Domestics — 7.0%					
Amerada Hess Corp.	50,000	2,213,000			
ConocoPhillips	140,310	7,520,616			
Kerr McGee Corp.	177,153	7,194,183			
Murphy Oil Corp.	140,000	6,183,800			
Unocal Capital Trust \$3.125 Conv. Pfd.	72,540	3,545,393			
Unocal Corp.	150,000	3,946,500			
		30,603,492			
Producers — 13.8%					
Anadarko Petroleum Corp.	250,000	11,375,000			
Apache Corp.	147,000	9,075,780			
Devon Energy Corp. (B)	80,000	3,857,600			
EOG Resources, Inc.	200,000	7,912,000			
Noble Energy	125,000	4,286,250			
Occidental Petroleum Corp.	175,000	5,243,000			
Ocean Energy, Inc.	480,000	9,600,000			
Pioneer Natural Resources Co. (C)	235,000	5,898,500			
Stone Energy Corp. (C)	104,300	3,502,394			
		60,750,524			
Distributors — 17.2%					
Atmos Energy Corp.	139,500	2,965,770			
Duke Energy Corp. 8.25% Conv. Pfd. due 2004 (B)	160,000	2,016,000			
Duke Energy Corp. (B)	115,000	1,672,100			
El Paso Corp. (B)	210,000	1,270,500			
Energen Corp.	250,000	8,015,000			
Equitable Resources Inc.	361,000	13,541,110			
Keyspan Corp.	220,000	7,095,000			
Kinder Morgan, Inc.	162,500	7,312,500			
MDU Resources Group, Inc.	200,000	5,584,000			
National Fuel Gas Co.	200,000	4,374,000			
Services — 13.1%					
Baker Hughes, Inc. (B)	130,000	3,890,900			
BJ Services Co. (B)(C)	380,000	13,068,200			
Core Laboratories N.V. (B)(C)	209,400	2,177,760			
GlobalSantaFe Corp.	200,000	4,130,000			
Grant Prideco Inc. (C)	308,000	3,714,480			
Nabors Industries Ltd. (B)(C)	180,000	7,176,600			
Noble Corp. (C)	135,000	4,241,700			
Schlumberger Ltd.	190,000	7,221,900			
Transocean Inc.	200,000	4,090,000			
Weatherford International, Ltd. (B)(C)	205,000	7,742,850			
					57,454,390
Basic Industries — 11.4%					
Basic Materials & Other — 8.6%					
Albemarle Corp.	200,000	4,870,000			
Arch Coal Inc. (B)	240,000	4,562,400			
Engelhard Corp.	124,900	2,675,358			
General Electric Co.	350,000	8,925,000			
Ingersoll-Rand Co. Ltd.	100,000	3,859,000			
Philadelphia Suburban Corp.	305,000	6,694,750			
Rohm & Haas Co.	200,000	5,956,000			
					37,542,508
Paper and Forest Products — 2.8%					
Boise Cascade Corp. 7.5% ACES due 2004	51,000	1,962,990			
Boise Cascade Corp.	205,000	4,479,250			
MeadWestvaco Corp. (B)	60,000	1,366,800			
Temple-Inland Inc. (B)	120,000	4,488,000			
					12,297,040
Total Stocks And Convertible Securities					390,633,969
(Cost \$284,358,676) (D)					

SCHEDULE OF INVESTMENTS (CONTINUED)

March 31, 2003
(unaudited)

	Prin. Amt.	Value (A)		Prin. Amt.	Value (A)
Short-Term Investments — 10.9%					
<i>U.S. Government Obligations — 1.6%</i>					
U.S. Treasury Bills, 1.10%, due 5/22/03	\$ 7,000,000	\$ 6,989,092			
<i>Certificates of Deposit — 2.3%</i>					
Mercantile-Safe Deposit & Trust Co., 1.10-1.15%, due 5/27/03-6/25/03	10,000,000	10,000,000			
<i>Commercial Paper — 7.0%</i>					
AIG Funding, Inc., 1.22-1.24%, due 4/8/03-4/15/03	4,050,000	4,048,551			
ChevronTexaco Corp., 1.23%, due 4/15/03	3,700,000	3,698,230			
Coca-Cola Enterprises, Inc., 1.21-1.24%, due 4/10/03-4/22/03	5,000,000	4,997,555			
GMAC MINT, 1.21%, due 4/22/03	3,050,000	3,047,847			
GMAC New Center Asset Trust, 1.23%, due 4/24/03	1,950,000	1,948,468			
General Electric Capital Corp., 1.23-1.25%, due 4/3/03-4/29/03	4,675,000	4,673,147			
					30,651,383
			Total Short-Term Investments		
			(Cost \$47,640,475)		47,640,475
			Total Investments — 99.9%		
			(Cost \$331,999,151)		438,274,444
			Cash, receivables and other assets, less liabilities — 0.1%		687,307
			Net Assets—100.0%		\$438,961,751

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) Some or all 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 March 31, 2003 covering open call option contracts written was \$2,211,505. In addition, the aggregate market value of securities segregated by the custodian required to collateralize open put option contracts written was \$2,775,000.

SCHEDULE OF OUTSTANDING OPTION CONTRACTS

*March 31, 2003
(unaudited)*

<u>Contracts (100 shares each)</u>	<u>Security</u>	<u>Strike Price</u>	<u>Contract Expiration Date</u>	<u>Appreciation/ (Depreciation)</u>
COVERED CALLS				
150	Apache Corp.	\$71.38	Jul 03	\$ 4,574
100	Murphy Oil Corp.	50	Jul 03	1,500
<u>200</u>	Nabors Industries Ltd.	45	Jun 03	<u>(2,801)</u>
<u>450</u>				<u>3,273</u>
COLLATERALIZED PUTS				
100	Baker Hughes, Inc.	27.50	Apr 03	10,500
100	ConocoPhillips	45	May 03	18,999
150	EOG Resources, Inc.	35	Apr 03	16,249
100	Ingersoll-Rand Co. Ltd.	32.50	Jun 03	2,100
150	TotalFinaElf ADR	60	May 03	(8,101)
<u>100</u>	Weatherford International, Ltd.	30	May 03	<u>12,599</u>
<u>700</u>				<u>52,346</u>
				<u>\$55,619</u>

CHANGES IN PORTFOLIO SECURITIES

*During the Three Months Ended March 31, 2003
(unaudited)*

	<u>Shares</u>		
	<u>Additions</u>	<u>Reductions</u>	<u>Held March 31, 2003</u>
Albemarle Corp.	10,000		200,000
Apache Corp.	7,000 ⁽¹⁾	14,000	147,000
Arch Coal Inc.	30,000		240,000
Baker Hughes, Inc.	20,000		130,000
BP plc ADR	18,000		500,000
Ingersoll-Rand Co. Ltd.	30,000		100,000
TotalFinaElf ADR	15,000		140,000
BJ Services Co.		20,000	380,000
Nabors Industries Ltd.		20,000	180,000
Ocean Energy, Inc.		70,000	480,000

⁽¹⁾ By stock dividend.

H I S T O R I C A L F I N A N C I A L S T A T I S T I C S

<u>December 31</u>	<u>Value of Net Assets</u>	<u>Shares Outstanding*</u>	<u>Net Asset Value per Share*</u>	<u>Dividends from Net Investment Income per Share*</u>	<u>Distributions from Net Realized Gains per Share*</u>
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
March 31, 2003 (unaudited)	438,961,751	21,460,567	20.45	.17†	.09

* Prior years have been adjusted to reflect the 3-for-2 stock split effected in October 2000.

† Paid or declared.

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 Accountants: PricewaterhouseCoopers LLP

Transfer Agent, Registrar & Custodian of Securities: The Bank of New York

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 this report. The rates of return will vary and the market 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.

The Annual Meeting of Stockholders was held on March 25, 2003. For those nominated, the following votes were cast for directors:

	<u>votes for</u>	<u>votes withheld</u>
(A) Enrique R. Arzac:	18,941,452	557,584
(B) Daniel E. Emerson:	18,870,342	628,694
(C) Edward J. Kelly, III:	18,918,204	580,832
(D) Thomas H. Lenagh:	18,804,943	694,093
(E) W.D. MacCallan:	18,882,929	616,107
(F) W. Perry Neff:	18,863,848	635,188
(G) Douglas G. Ober:	18,933,169	565,867
(H) Landon Peters:	18,907,928	591,108
(I) John J. Roberts:	18,824,797	674,239
(J) Susan C. Schwab:	18,902,859	596,177
(K) Robert J.M. Wilson:	18,827,276	671,760

A proposal to approve and ratify the selection of PricewaterhouseCoopers LLP as the firm of independent accountants of the Corporation for 2003 was approved with 19,050,299 votes for, 235,528 votes against, and 213,209 votes abstaining.

A proposal to approve an amendment to the Corporation's Stock Option Plan to extend the term of the Plan for an additional three years was approved with 16,947,663 votes for, 2,106,442 votes against, and 444,931 votes abstaining.

A stockholder proposal to request the Board of Directors to consider placing performance limitations on when stock option grants may be awarded to the Corporation's investment personnel was defeated. Of the 11,257,492 shares that were voted on this proposal (abstentions are not included in this calculation), 3,356,791 shares (29.8%) were voted for, and 7,900,701 shares (70.2%) were voted against. 688,304 shares abstained. Of the total number of shares outstanding as of February 14, 2003, the record date for the meeting, 15.6 per cent were voted for the proposal.

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.

BuyDIRECTSM*

BuyDIRECT is a direct purchase and sale plan, as well as a dividend reinvestment plan, sponsored and administered by our transfer agent, The Bank of New York. 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	\$7.50
<i>A one-time fee for new accounts who are not currently registered holders.</i>	

Optional Cash Investments	
Service Fee	\$2.50 per investment
Brokerage Commission	\$0.05 per share
Reinvestment of Dividends**	
Service Fee	10% 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	Included
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 BuyDIRECT as well as an enrollment form may be obtained by contacting The Bank of New York.

For Non-Registered Shareholders

For shareholders whose stock is held by a broker in “street” name, The Bank of New York’s Automatic Dividend Reinvestment 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 the Plan or contact The Bank of New York about the BuyDIRECT Plan.

The Corporation

Petroleum & Resources Corporation

Lawrence L. Hooper, Jr.
Vice President, Secretary and General Counsel
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(800) 638-2479

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The Transfer Agent The Bank of New York

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**Send Certificates for Transfer
and Address Changes to:**
Receive and Deliver Department
P.O. Box 11002 Church Street Station
New York, NY 10286

*BuyDIRECT is a service mark of The Bank of New York.

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