

## PETROLEUM & RESOURCES CORPORATION

### Board of Directors

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

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 and Chief Executive Officer</i>
Richard F. Koloski	<i>President</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 (6/30/02)	\$ 22.77
Net Asset Value (6/30/02)	\$ 24.55
Discount:	7.3%

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 2002

From Investment Income (paid or declared)	\$0.30
From Net Realized Gains	0.09
Total	<u>\$0.39</u>

### 2002 Dividend Payment Dates

March 1, 2002  
June 1, 2002  
September 1, 2002  
December 27, 2002\*

\*Anticipated



Petroleum  
& Resources  
Corporation

SEMI-ANNUAL REPORT

June 30, 2002



investing in resources  
for the future®

L E T T E R   T O   S T O C K H O L D E R S

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We submit herewith the financial statements of the Corporation for the six months ended June 30, 2002. In addition, there is the report of independent accountants, a schedule of investments, along with other financial information.

Net assets of the Corporation at June 30, 2002 were \$24.55 per share, compared with \$24.90 per share at December 31, 2001 on the 21,147,563 shares outstanding on each date. On March 1, 2002, a distribution of \$0.13 per share was paid consisting of \$0.08 from 2001 long-term capital gain, \$0.01 from 2001 short-term capital gain, \$0.03 from 2001 investment income and \$0.01 from 2002 investment income, all taxable in 2002. A 2002 investment income dividend of \$0.13 per share was paid on June 1, 2002 and another \$0.13 investment income dividend has been declared to shareholders of record August 16, 2002, payable September 1, 2002.

Net investment income for the six months ended June 30, 2002 amounted to \$4,655,158, compared with \$4,874,989 for the same period in 2001. These earnings are equal to \$0.22 and \$0.23 per share, respectively, on the average number of shares outstanding during each period.

Net capital gain realized on investments for the six months ended June 30, 2002 amounted to \$6,519,269, the equivalent of \$0.31 per share.

Mr. Koloski, who has been your President since 1986, has announced his intention to retire on March 31, 2003. We will utilize the intervening nine months to make an orderly transition in the management team.

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](http://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, in addition, an opportunity for capital appreciation.

By order of the Board of Directors,



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



Richard F. Koloski,  
*President*

July 19, 2002

**STATEMENT OF ASSETS AND LIABILITIES**

*June 30, 2002*

**Assets**

Investments\* at value:

Common stocks and convertible securities (cost \$272,016,655)	\$459,763,606	
Short-term investments (cost \$57,166,839)	57,166,839	\$516,930,445

Cash		130,929
Securities lending collateral		83,683,948
Receivables:		
Investment securities sold		3,081,815
Dividends and interest		467,232
Prepaid expenses and other assets		1,973,446
<i>Total Assets</i>		606,267,815

**Liabilities**

Investment securities purchased		1,986,121
Open written option contracts at value (proceeds \$232,519)		221,000
Obligations to return securities lending collateral		83,683,948
Accrued expenses		1,248,489
<i>Total Liabilities</i>		87,139,558
<b>Net Assets</b>		\$519,128,257

**Net Assets**

Common Stock at par value \$1.00 per share, authorized 50,000,000 shares; issued and outstanding 21,147,563 shares	\$ 21,147,563
Additional capital surplus	301,405,045
Undistributed net investment income	2,324,094
Undistributed net realized gain on investments	6,493,085
Unrealized appreciation on investments	187,758,470
<b>Net Assets Applicable to Common Stock</b>	\$519,128,257
<b>Net Asset Value per Share of Common Stock</b>	\$24.55

\* 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

*Six Months Ended June 30, 2002*

**Investment Income**

Income:	
Dividends	\$ 5,356,951
Interest and other income	504,250
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<i>Total income</i>	5,861,201
<hr/>	
Expenses:	
Investment research	405,584
Administration and operations	230,944
Directors' fees	107,750
Reports and stockholder communications	131,018
Transfer agent, registrar and custodian expenses	88,937
Auditing and accounting services	35,352
Legal services	30,963
Occupancy and other office expenses	76,083
Travel, telephone and postage	49,940
Other	49,472
<hr/>	
<i>Total expenses</i>	1,206,043
<hr/>	
<b>Net Investment Income</b>	4,655,158
<hr/>	
<b>Realized Gain and Change in Unrealized Appreciation on Investments</b>	
Net realized gain on security transactions	6,519,269
Change in unrealized appreciation on investments	(13,039,607)
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<b>Net Loss on Investments</b>	(6,520,338)
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<b>Change in Net Assets Resulting from Operations</b>	<b>\$ (1,865,180)</b>

*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

	Six Months Ended June 30, 2002	Year Ended December 31, 2001
<b>From Operations:</b>		
Net investment income	\$ 4,655,158	\$ 10,098,102
Net realized gain on investments	6,519,269	22,308,303
Change in unrealized appreciation on investments	(13,039,607)	(164,346,055)
<i>Change in net assets resulting from operations</i>	(1,865,180)	(131,939,650)
<b>Dividends to Stockholders from:</b>		
Net investment income	(3,595,082)	(8,877,046)
Net realized gain from investment transactions	(1,903,279)	(22,032,850)
<i>Decrease in net assets from distributions</i>	(5,498,361)	(30,909,896)
<b>From Capital Share Transactions:</b>		
Value of shares issued in payment of distributions	—	13,159,002
Cost of shares purchased (Note 4)	—	(11,990,525)
<i>Change in net assets from capital share transactions</i>	—	1,168,477
<b>Total Increase (Decrease) in Net Assets</b>	(7,363,541)	(161,681,069)
<b>Net Assets:</b>		
Beginning of period	526,491,798	688,172,867
End of period (including undistributed net investment income of \$2,324,094 and \$1,264,018, respectively)	\$519,128,257	\$ 526,491,798

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

## NOTES TO 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 June 30, 2002 was \$329,374,671, and net unrealized appreciation aggregated \$187,788,293, of which the related gross unrealized appreciation and depreciation were \$ 204,325,597 and \$16,537,304, 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 six months

ended June 30, 2002 were \$23,457,902 and \$22,763,580, respectively. Options may be written 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 options is limited to the premium originally paid. Option transactions comprised an insignificant portion of operations during the period ended June 30, 2002. 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 unissued preferred shares without par value.

On December 27, 2001, the Corporation issued 579,054 shares of its Common Stock at a price of \$22.725 per share (the average market price on December 10, 2001) to stockholders of record November 19, 2001 who elected to take stock in payment of the distribution from 2001 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 2002 and 2001 were as follows:

	Shares		Amount	
	Six months ended June 30, 2002	Year ended December 31, 2001	Six months ended June 30, 2002	Year ended December 31, 2001
Shares issued in payment of dividends	—	579,054	—	\$ 13,159,002
Total increase	—	579,054	—	\$ 13,159,002
Shares purchased (at an average discount from net asset value of 16.6% in 2001)	—	(429,150)	—	(11,990,525)
Total decrease	—	(429,150)	—	\$(11,990,525)
Net change	—	149,904	—	\$ 1,168,477

The Corporation held a total of 42,832 shares at June 30, 2002 and December 31, 2001 at a total cost of \$1,061,166.

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 2002, there were 148,997 options outstanding at a weighted average exercise price of \$17.1543 per share. During the six months ended June 30, 2002, the Corporation granted options including stock appreciation rights for 23,769 shares of common stock with an exercise price of \$23.1350. During the period stock appreciation rights relating to 9,127 stock option shares were exercised at a weighted average market price of \$24.0679 per share and the stock options relating to these rights, which had a weighted average exercise price of \$12.1740, were cancelled. At June 30, 2002, there were outstanding exercisable options to purchase 39,435 common shares at \$9.7117-\$25.9338 per share (weighted average price of \$15.9478) and unexercisable options to purchase 124,204 common shares at \$9.7117-\$25.9338 per share (weighted average price of \$18.9227). The weighted average remaining contractual life of outstanding exercisable and unexercisable options was 4.8515 years and 6.5014 years, respectively. The total compensation expense for stock options and stock appreciation rights recognized for the six months ended June 30, 2002 was \$26,472. At June 30, 2002, there were 274,929 shares available for future option grants.

#### 5. RETIREMENT PLANS

The Corporation provides retirement benefits for its employees under a non-contributory qualified defined benefit pension 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. The plan assets, consisting primarily of investments in individual stocks, bonds and mutual funds were \$4,342,486. In determining the actuarial present value of the projected benefit obligation, the interest rate used for the weighted average discount rate was 7.25%, 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 June 30, 2002 was \$3,548,094. Prepaid pension cost included in other assets at June 30, 2002 was \$1,617,896.

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 June 30, 2002 for employees and former employees of the Corporation was \$1,173,573. Aggregate remuneration paid or accrued during the six months ended June 30, 2002 to officers and directors amounted to \$438,510.

#### 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 by collateral of at least 102%, at all times, 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 June 30, 2002, the Corporation had outstanding loans of \$81,176,191 and held collateral of \$83,683,948.



**FINANCIAL HIGHLIGHTS**

	Six Months Ended		Year Ended December 31				
	June 30, 2002	June 30, 2001	2001	2000	1999	1998	1997
	<b>Per Share Operating Performance*</b>						
Net asset value, beginning of period	\$24.90	\$32.69	\$32.69	\$26.32	\$22.87	\$27.64	\$24.73
Net investment income	0.22	0.23	0.49	0.37	0.48	0.55	0.51
Net realized gains and change in unrealized appreciation (depreciation) and other changes	(0.31)	(3.02)	(6.84)	7.46	4.51	(3.79)	3.95
Total from investment operations	(0.09)	(2.79)	(6.35)	7.83	4.99	(3.24)	4.46
Capital share repurchases	—	0.05	0.06	0.28	0.01	—	—
Less distributions							
Dividends from net investment income	(0.17)	(0.18)	(0.43)	(0.39)	(0.48)	(0.52)	(0.51)
Distributions from net realized gains	(0.09)	(0.08)	(1.07)	(1.35)	(1.07)	(1.01)	(1.04)
Total distributions	(0.26)	(0.26)	(1.50)	(1.74)	(1.55)	(1.53)	(1.55)
Net asset value, end of period	\$24.55	\$29.69	\$24.90	\$32.69	\$26.32	\$22.87	\$27.64
Per share market price, end of period	\$22.77	\$27.25	\$23.46	\$27.31	\$21.50	\$20.42	\$24.33
<b>Total Investment Return</b>							
Based on market price	(1.9)%	0.6%	(8.7)%	36.1%	13.3%	(10.0)%	11.7%
Based on net asset value	(0.3)%	(8.4)%	(19.0)%	33.1%	23.8%	(11.1)%	18.9%
<b>Ratios/Supplemental Data</b>							
Net assets, end of period (in 000's)	\$519,128	\$612,832	\$526,492	\$688,173	\$565,075	\$474,821	\$556,453
Ratio of expenses to average net assets	0.46%†	0.38%†	0.35%	0.59%	0.43%	0.31%	0.47%
Ratio of net investment income to average net assets	1.76%†	1.48%†	1.67%	1.24%	1.86%	2.13%	1.91%
Portfolio turnover	9.71%†	8.25%†	6.74%	7.68%	11.89%	12.70%	13.09%
Number of shares outstanding at end of period (in 000's)*	21,148	20,641	21,148	21,054	21,471	20,762	20,134

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

†Ratios presented on an annualized basis.



SCHEDULE OF INVESTMENTS

June 30, 2002

	Shares	Value (A)		Shares	Value (A)
<b>Stocks And Convertible Securities — 88.6%</b>					
<b>Energy — 77.5%</b>					
<b>Internationals — 30.2%</b>					
BP plc ADR	482,000	\$ 24,336,180			
ChevronTexaco Corp.	300,000	26,550,000			
Exxon Mobil Corp.	1,200,000	49,104,000			
Royal Dutch Petroleum Co.	720,000	39,794,400			
“Shell” Transport and Trading Co., plc ADR	150,000	6,751,500			
TotalFinaElf ADR (B)	125,000	10,112,500			
		156,648,580			
					80,334,005
<b>Domestics — 7.8%</b>					
Amerada Hess Corp. (B)	80,000	6,600,000			
Conoco Inc.	300,000	8,340,000			
Kerr McGee Corp. (B)	177,153	9,486,543			
Murphy Oil Corp.	83,500	6,888,750			
Unocal Capital Trust \$3.125 Conv. Pfd.	72,540	3,663,995			
Unocal Corp.	150,000	5,541,000			
		40,520,288			
<b>Producers — 12.5%</b>					
Anadarko Petroleum Corp. (B)	250,000	12,325,000			
Apache Corp. (B)	154,000	8,851,920			
Devon Energy Corp. (B)	80,000	3,942,400			
EOG Resources, Inc.	200,000	7,940,000			
Noble Affiliates Inc.	125,000	4,506,250			
Occidental Petroleum Corp.	175,000	5,248,250			
Ocean Energy, Inc.	550,000	11,918,500			
Pioneer Natural Resources Co. (B)(C)	235,000	6,121,750			
Stone Energy Corp. (B)(C)	104,300	4,198,075			
		65,052,145			
<b>Distributors — 15.5%</b>					
Atmos Energy Corp. (B)	139,500	3,269,880			
Duke Energy Corp. 8.25% Conv. Pfd. due 2004 (B)	160,000	3,600,000			
Duke Energy Corp. (B)	100,000	3,110,000			
El Paso Corp. (B)	300,000	6,183,000			
Energen Corp.	250,000	6,875,000			
Equitable Resources Inc.	361,000	12,382,300			
Keyspan Corp. (B)	220,000	8,283,000			
Kinder Morgan, Inc. (B)	162,500	6,178,250			
National Fuel Gas Co.	200,000	4,502,000			
		45,972,730			
					459,763,606
					(Cost \$272,016,655) (D)
<b>Services — 11.5%</b>					
New Jersey Resources, Inc.	277,500	\$ 8,283,375			
Northwestern Corp. (B)	200,000	3,390,000			
Questar Corp.	268,000	6,619,600			
TECO Energy, Inc. (B)	200,000	4,950,000			
Williams Companies 9.0% FELINE PACS due 2005	120,000	1,509,600			
Williams Companies, Inc.	200,000	1,198,000			
		80,334,005			
					59,792,888
<b>Basic Industries — 11.1%</b>					
<b>Basic Materials &amp; Other — 6.5%</b>					
Albemarle Corp.	15,000	461,250			
Arch Coal Inc. (B)	175,000	3,974,250			
Engelhard Corp.	200,000	5,664,000			
General Electric Co.	350,000	10,167,500			
Philadelphia Suburban Corp.	300,000	6,060,000			
Rohm & Haas Co.	180,000	7,288,200			
		33,615,200			
<b>Paper and Forest Products — 4.6%</b>					
Boise Cascade Corp. 7.5% ACES due 2004	51,000	2,731,050			
Boise Cascade Corp.	205,000	7,078,650			
Meadwestvaco Corp.	210,000	7,047,600			
Temple-Inland Inc. (B)	120,000	6,943,200			
		23,800,500			
<b>Total Stocks And Convertible Securities</b>					
					459,763,606

**SCHEDULE OF INVESTMENTS (CONTINUED)**

June 30, 2002

	<u>Prin. Amt.</u>	<u>Value (A)</u>		<u>Prin. Amt.</u>	<u>Value (A)</u>
<b>Short-Term Investments — 11.0%</b>					
<b>U.S. Government Obligations — 1.3%</b>					
U.S. Treasury Bills, 1.68%, due 8/22/02	\$7,000,000	\$6,983,013			
<b>Commercial Paper — 9.7%</b>					
ChevronTexaco Corp., 1.75%, due 7/16/02	6,000,000	5,995,625			
Coca-Cola Co., 1.73%, due 7/18/02	2,950,000	2,947,590			
GMAC MINT, 1.80%, due 8/8/02	2,000,000	1,996,200			
GMAC New Center Asset Trust, 1.79%, due 7/23/02	3,000,000	2,996,718			
General Electric Capital Corp., 1.70-1.76%, due 7/9/02-7/11/02	5,000,000	4,997,819			
Gillette Co., 1.70%, due 7/29/02	4,875,000	4,868,554			
IBM Corp., 1.69-1.74%, due 7/18/02-7/25/02	5,000,000	4,995,105			
				\$3,550,000	\$ 3,544,971
				4,775,000	4,762,373
				5,000,000	4,996,417
				8,100,000	8,082,454
					50,183,826
			<b>Total Short-Term Investments</b>		
			(Cost \$57,166,839)		57,166,839
			<b>Total Investments — 99.6%</b>		
			(Cost \$329,183,494)		516,930,445
			Cash, receivables and other assets, less liabilities — 0.4%		2,197,812
			<b>Net Assets—100.0%</b>		\$519,128,257

Notes:

- (A) See note 1 to financial statements. Securities are listed on the New York Stock Exchange, the American Stock Exchange, or the NASDAQ.
- (B) All or a portion of these securities is on loan. See Note 7 to Financial Statements.
- (C) Presently non-dividend paying.
- (D) The aggregate market value of stocks held in escrow at June 30, 2002 covering open call option contracts written was \$2,598,700. In addition, the aggregate market value of securities segregated by the custodian required to collateralize open put option contracts written was \$3,262,500.

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

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Petroleum & Resources Corporation (hereafter referred to as the "Corporation") at June 30, 2002, and the results of its operations, the changes in its net assets and the financial highlights for each of the fiscal periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United

States of America, which 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 June 30, 2002 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

**PricewaterhouseCoopers LLP**  
Baltimore, Maryland  
July 10, 2002

**C H A N G E S   I N   P O R T F O L I O   S E C U R I T I E S   \***

*During the Three Months Ended June 30, 2002*

	Shares		Held June 30, 2002
	Additions	Reductions	
Albemarle Corp. ....	15,000		15,000
ChevronTexaco Corp. ....	30,000		300,000
GlobalSantaFe Corp. ....	20,000		200,000
Noble Corp. ....	50,000		50,000
Philadelphia Suburban Corp. ....	180,000		300,000
Pioneer Natural Resources Co. ....	35,000		235,000
Rohm & Haas Co. ....	50,000		180,000
Dynegy, Inc. Class A ....		175,000	—
Engelhard Corp. ....		50,000	200,000
Murphy Oil Corp. ....		10,000	83,500
Royal Dutch Petroleum Co. ....		60,000	720,000
“Shell” Transport & Trading Co., plc ADR ....		50,000	150,000

*\* In our previous quarterly reports, this unaudited schedule disclosed only “principal changes” in portfolio securities. We have changed this schedule to reflect all purchases and sales of portfolio securities during the quarter.*

**FORWARD-LOOKING STATEMENTS**

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

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.

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>
1992 .....	\$320,241,282	17,369,255	\$18.44	\$.51	\$ .82
1993 .....	355,836,592	18,010,007	19.76	.55	.87
1994 .....	332,279,398	18,570,450	17.89	.61	.79
1995 .....	401,404,971	19,109,075	21.01	.58	.81
1996 .....	484,588,990	19,598,729	24.73	.55	.88
1997 .....	566,452,549	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
June 30, 2002 .....	519,128,257	21,147,563	24.55	.30†	.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

**Website:** www.peteres.com

**E-mail:** contact@peteres.com

**Telephone:** (410) 752-5900 or (800) 638-2479

**Counsel:** Chadbourne & Parke L.L.P.

**Independent Accountants:** PricewaterhouseCoopers LLP

**Transfer Agent, Registrar & Custodian of Securities**

The Bank of New York

101 Barclay Street

New York, NY 10286

The Bank's Shareholder Relations Department: (866) 723-8330

E-mail: Shareowner-svcs@bankofny.com

**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.**

**BuyDIRECT<sup>SM</sup>\***

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.

<p><b>The Corporation</b> Petroleum &amp; Resources Corp. Lawrence L. Hooper, Jr., Vice President, Secretary and General Counsel Seven St. Paul Street, Suite 1140 Baltimore, MD 21202 (800) 638-2479 Website: www.peteres.com E-mail: contact@peteres.com</p>	<p><b>The Transfer Agent</b> The Bank of New York Shareholder Relations Dept.-8W P.O. Box 11258 Church Street Station New York, NY 10286 (866) 723-8330 Website: http://stock.bankofny.com E-mail: Shareowner-svcs@ bankofny.com</p>
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\*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.