

We submit herewith the financial statements of the Corporation for the three months ended March 31, 2002. In addition, there is a schedule of investments provided along with other financial information.

Net assets of the Corporation at March 31, 2002 were \$26.29 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 has been declared to shareholders of record May 17, 2002, payable June 1, 2002.

Net investment income for the three months ended March 31, 2002 amounted to \$1,608,637, compared with \$1,990,619 for the same period in 2001. These earnings are equal to \$0.08 and \$0.09 per share, respectively, on the average number of shares outstanding during each period.

Net capital gain realized on investments for the three months ended March 31, 2002 amounted to \$2,691,190, the equivalent of \$0.13 per share.

The Annual Meeting, held on March 26, 2002 in Phoenix, Arizona, was well attended by shareholders. The results of the voting at the Annual Meeting are shown on page 12.

We encourage you to visit our newly-revamped website at [www.peteres.com](http://www.peteres.com), where 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. We have given the website a new look and have made it even easier to navigate

and find up-to-date information about the Corporation. 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.

We are pleased to announce effective March 26, 2002, the Board of Directors elected Ms. Maureen A. Jones to Vice President and Chief Financial Officer. Ms. Jones has been the Corporation's Treasurer since 1993 and was elected Vice President and Treasurer in 1998.

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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*

April 19, 2002

**STATEMENT OF ASSETS AND LIABILITIES**

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*March 31, 2002*  
*(unaudited)*

**Assets**

Investments\* at value:

Common stocks and convertible securities

(cost \$267,765,865)

\$496,521,843

Short-term investments (cost \$57,026,756)

57,026,756

\$553,548,599

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Cash

33,912

Securities lending collateral

74,806,723

Receivables:

Investment securities sold

1,621,498

Dividends and interest

538,132

Prepaid expenses and other assets

2,056,932

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*Total Assets*

632,605,796

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**Liabilities**

Open written option contracts at value (proceeds \$252,695)

243,250

Obligations to return securities lending collateral

74,806,723

Accrued expenses

1,546,032

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*Total Liabilities*

76,596,005

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**Net Assets**

\$556,009,791

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**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

2,026,754

Undistributed net realized gain on investments

2,665,006

Unrealized appreciation on investments

228,765,423

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**Net Assets Applicable to Common Stock**

\$556,009,791

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**Net Asset Value per Share of Common Stock**

\$26.29

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\* See Schedule of Investments on pages 8 and 9.

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

STATEMENT OF OPERATIONS

*Three Months Ended March 31, 2002*  
(unaudited)

**Investment Income**

Income:	
Dividends	\$ 2,155,860
Interest and other income	268,416
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<i>Total income</i>	2,424,276
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Expenses:	
Investment research	338,090
Administration and operations	158,014
Directors' fees	57,250
Reports and stockholder communications	96,739
Transfer agent, registrar and custodian expenses	53,551
Auditing and accounting services	20,268
Legal services	3,762
Occupancy and other office expenses	22,230
Travel, telephone and postage	17,451
Other	48,284
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<i>Total expenses</i>	815,639
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<b>Net Investment Income</b>	1,608,637
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<b>Realized Gain and Change in Unrealized Appreciation on Investments</b>	
Net realized gain on security transactions	2,691,190
Change in unrealized appreciation on investments	27,967,346
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<b>Net Gain on Investments</b>	30,658,536
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<b>Change in Net Assets Resulting from Operations</b>	<b>\$32,267,173</b>

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

STATEMENT OF CHANGES IN NET ASSETS

	Three Months Ended March 31, 2002 (unaudited)	Year Ended December 31, 2001
<b>From Operations:</b>		
Net investment income	\$ 1,608,637	\$ 10,098,102
Net realized gain on investments	2,691,190	22,308,303
Change in unrealized appreciation on investments	27,967,346	(164,346,055)
<i>Change in net assets resulting from operations</i>	32,267,173	(131,939,650)
<b>Dividends to Stockholders from:</b>		
Net investment income	(845,901)	(8,877,046)
Net realized gain from investment transactions	(1,903,279)	(22,032,850)
<i>Decrease in net assets from distributions</i>	(2,749,180)	(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>	29,517,993	(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 \$2,026,754 and \$1,264,018, respectively)	\$556,009,791	\$ 526,491,798

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, 2002 was \$325,006,048, and net unrealized appreciation aggregated \$228,795,246, of which the related gross unrealized appreciation and depreciation were \$234,889,030 and \$6,093,784, respectively.

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

### 3. INVESTMENT TRANSACTIONS

Purchases and sales of portfolio securities, other than options and short-term investments, during the three months

ended March 31, 2002 were \$11,366,920 and \$11,256,773, 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 March 31, 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	
	Three months ended March 31, 2002	Year ended December 31, 2001	Three months ended March 31, 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 0% and 16.6%, respectively)	—	(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 March 31, 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 three months ended March 31, 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 500 stock option shares were exercised at a weighted average market price of \$25.24 per share and the stock options relating to these rights, which had a weighted average exercise price of \$9.7117, were cancelled. At March 31, 2002, there were outstanding exercisable options to purchase 48,062 common shares at \$9.7117-\$25.9338 (weighted average price of \$15.2960 per share 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 5.1089 years and 7.0014 years, respectively. The total compensation expense for stock options and stock appreciation rights recognized for the three months ended March 31, 2002 was \$212,786. At March 31, 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 \$4,468,340. 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 March 31, 2002 was \$3,692,541. Prepaid pension cost included in other assets at March 31, 2002 was \$1,656,896.

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 March 31, 2002 for employees and former employees of the Corporation was \$1,616,189. Aggregate remuneration paid or accrued during the three months ended March 31, 2002 to officers and directors amounted to \$375,105.

#### 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 March 31, 2002, the Corporation had outstanding loans of \$72,272,566 and held collateral of \$74,806,723.

**FINANCIAL HIGHLIGHTS**

	<b>Three Months Ended</b>		<b>Year Ended December 31</b>				
	<b>(unaudited)</b>						
	<b>March 31, 2002</b>	<b>March 31, 2001</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
<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	0.08	0.09	0.49	0.37	0.48	0.55	0.51
Net realized gains and change in unrealized appreciation (depreciation) and other changes	1.44	(1.88)	(6.84)	7.46	4.51	(3.79)	3.95
Total from investment operations	1.52	(1.79)	(6.35)	7.83	4.99	(3.24)	4.46
Capital share repurchases	—	0.03	0.06	0.28	0.01	—	—
Less distributions							
Dividends from net investment income	(0.04)	(0.05)	(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	(0.13)	(0.13)	(1.50)	(1.74)	(1.55)	(1.53)	(1.55)
Net asset value, end of period	\$26.29	\$30.80	\$24.90	\$32.69	\$26.32	\$22.87	\$27.64
Per share market price, end of period	\$25.25	\$27.20	\$23.46	\$27.31	\$21.50	\$20.42	\$24.33
<b>Total Investment Return</b>							
Based on market price	8.2%	0.5%	(8.7)%	36.1%	13.3%	(10.0)%	11.7%
Based on net asset value	6.1%	(5.4)%	(19.0)%	33.1%	23.8%	(11.1)%	18.9%
<b>Ratios/Supplemental Data</b>							
Net assets, end of period (in 000's)	\$556,010	\$639,944	\$526,492	\$688,173	\$565,075	\$474,821	\$556,453
Ratio of expenses to average net assets	0.62%†	0.40%†	0.35%	0.59%	0.43%	0.31%	0.47%
Ratio of net investment income to average net assets	1.22%†	1.21%†	1.67%	1.24%	1.86%	2.13%	1.91%
Portfolio turnover	2.68%†	14.65%†	6.74%	7.68%	11.89%	12.70%	13.09%
Number of shares outstanding at end of period (in 000's)*	21,148	20,780	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**

*March 31, 2002*

*(unaudited)*

	Shares	Value (A)		Shares	Value (A)
<b>Stocks And Convertible Securities — 89.3%</b>					
<b>Energy — 79.1%</b>					
<i>Internationals — 29.4%</i>					
BP plc ADR	482,000	\$ 25,594,200			
ChevronTexaco Corp.	270,000	24,372,900			
Exxon Mobil Corp.	1,200,000	52,596,000			
Royal Dutch Petroleum Co.	780,000	42,369,600			
“Shell” Transport and Trading Co., plc ADR	200,000	8,856,000			
TotalFinaElf ADR (B)	125,000	9,575,000			
		163,363,700			
<i>Domestics — 8.1%</i>					
Amerada Hess Corp. (B)	80,000	6,348,800			
Conoco Inc.	300,000	8,754,000			
Kerr McGee Corp. (B)	177,153	11,134,066			
Murphy Oil Corp. (B)	93,500	8,976,000			
Unocal Capital Trust \$3.125 Conv. Pfd.	72,540	3,717,675			
Unocal Corp. (B)	150,000	5,842,500			
		44,773,041			
<i>Producers — 11.6%</i>					
Anadarko Petroleum Corp. (B)	250,000	14,110,000			
Apache Corp. (B)	154,000	8,759,520			
Devon Energy Corp.	80,000	3,861,600			
EOG Resources, Inc.	200,000	8,112,000			
Noble Affiliates Inc.	125,000	4,882,500			
Occidental Petroleum Corp.	175,000	5,101,250			
Ocean Energy, Inc.	550,000	10,884,500			
Pioneer Natural Resources Co. (C)	200,000	4,458,000			
Stone Energy Corp. (C)	104,300	4,041,625			
		64,210,995			
<i>Distributors — 17.5%</i>					
Atmos Energy Corp. (B)	139,500	3,292,200			
Duke Energy Corp. 8.25% Conv. Pfd. due 2004	160,000	4,113,600			
Duke Energy Corp. (B)	100,000	3,780,000			
El Paso Corp.	300,000	13,209,000			
Energen Corp.	250,000	6,612,500			
Equitable Resources Inc.	361,000	12,566,410			
Keyspan Corp.	220,000	8,005,800			
Kinder Morgan, Inc.	162,500	7,869,875			
National Fuel Gas Co.	200,000	4,870,000			
New Jersey Resources, Inc.	277,500	8,391,600			
Northwestern Corp.	200,000	4,400,000			
Questar Corp. (B)	268,000	6,890,280			
TECO Energy, Inc. (B)	200,000	5,726,000			
Williams Companies 9.0% FELINE PACS due 2005	120,000	3,075,600			
Williams Companies, Inc. (B)	200,000	4,712,000			
		97,514,865			
<i>Services — 11.6%</i>					
BJ Services Co. (C)	400,000	\$ 13,788,000			
Core Laboratories N.V. (C)	209,400	3,090,744			
Global Santa Fe Corp.	180,000	5,886,000			
Grant Prideco Inc. (C)	308,000	4,213,440			
Nabors Industries, Inc. (B) (C)	200,000	8,450,000			
Schlumberger Ltd.	229,400	13,493,308			
Transocean Sedco Forex Inc.	200,000	6,646,000			
Weatherford International, Inc. (B)(C)	190,000	9,049,700			
		64,617,192			
<i>Electrical Power — 0.9%</i>					
Dynegy, Inc. Class A (B)	175,000	5,075,000			
		5,075,000			
<b>Basic Industries — 10.2%</b>					
<i>Basic Materials &amp; Other — 5.9%</i>					
Arch Coal Inc.	175,000	3,741,500			
Engelhard Corp.	250,000	7,757,500			
General Electric Co.	350,000	13,107,500			
Philadelphia Suburban Corp.	120,000	2,820,000			
Rohm & Haas Co.	130,000	5,495,100			
		32,921,600			
<i>Paper and Forest Products — 4.3%</i>					
Boise Cascade Corp. 7.5% ACES due 2004	51,000	2,848,350			
Boise Cascade Corp.	205,000	7,429,200			
Meadwestvaco Corp.	210,000	6,961,500			
Temple-Inland, Inc.	120,000	6,806,400			
		24,045,450			
<b>Total Stocks And Convertible Securities</b>					
(Cost \$267,765,865) (D)					496,521,843



**SCHEDULE OF INVESTMENTS (CONTINUED)**

*March 31, 2002*  
*(unaudited)*

	<b>Prin. Amt.</b>	<b>Value (A)</b>		<b>Prin. Amt.</b>	<b>Value (A)</b>
<b>Short-Term Investments — 10.3%</b>					
<i>U.S. Government Obligations — 1.3%</i>					
U.S. Treasury Bills, 1.65%, due 5/23/02	\$7,000,000	\$6,983,114			
<i>Certificates of Deposit — 0.9%</i>					
Mercantile Safe Deposit & Trust Co., 2.04%, due 5/22/02	5,000,000	5,000,000			
<i>Commercial Paper — 8.1%</i>					
AIG Funding, Inc., 1.74-1.81%, due 4/16/02 - 4/25/02	5,000,000	4,995,823			
ChevronTexaco Corp., 1.79 - 1.80%, due 4/4/02 - 4/9/02	5,000,000	4,998,662			
CVS Corp., 1.73%, due 4/23/02	3,045,000	3,041,781			
General Electric Capital Corp., 1.81%, due 4/16/02	5,000,000	4,996,229			
GMAC MINT, 1.88%, due 4/2/02	5,000,000	4,999,739			
			IBM Corp., 1.76%, due 4/4/02	\$5,000,000	\$ 4,999,267
			Nestle Capital Corp., 1.70%, due 4/25/02	4,000,000	3,995,467
			United Parcel Service, Inc., 1.68%, due 4/18/02	3,200,000	3,197,460
			Verizon Network Funding Corp., 1.75%, due 4/19/02	4,829,000	4,824,775
			Wells Fargo Financial, Inc., 1.82%, due 4/23/02	5,000,000	4,994,439
					45,043,642
			<b>Total Short-Term Investments</b> (Cost \$57,026,756)		57,026,756
			<b>Total Investments</b> (Cost \$324,792,621)		553,548,599
			Cash, receivables and other assets, less liabilities		2,461,192
			<b>Net Assets—100.0%</b>		\$556,009,791

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 March 31, 2002 covering open call option contracts written was \$5,289,900. In addition, the aggregate market value of securities segregated by the custodian required to collateralize open put option contracts written was \$2,662,500.

*During the Three Months Ended March 31, 2002  
(unaudited)*

	Shares		
	Additions	Reductions	Held March 31, 2002
Arch Coal Inc. ....	20,000		175,000
ChevronTexaco Corp. ....	17,600		270,000
Duke Energy Corp. ....	22,800		100,000
New Jersey Resources, Inc. ....	92,500 <sup>(1)</sup>		277,500
Pioneer Natural Resources Co. ....	30,000		200,000
Rohm & Haas Co. ....	130,000		130,000
Williams Companies 9.0% FELINE PACS due 2005 ....	120,000		120,000
Anadarko Petroleum Corp. ....		47,746	250,000
Devon Energy Corp. ....		42,500	80,000
Engelhard Corp. ....		50,000	250,000
Exxon Mobil Corp. ....		14,462	1,200,000
General Electric Co. ....		50,000	350,000
Mirant Trust 6.25% Conv. Pfd. Ser. A ....		8,000	—
Mirant Corp. ....		149,000	—
Royal Dutch Petroleum Co. ....		30,000	780,000

(1) By stock split.

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**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.

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

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<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
March 31, 2002 (unaudited) .....	556,009,791	21,147,563	26.29	.17†	.09

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

† Paid or declared.

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**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

The Annual Meeting of Stockholders was held on March 26, 2002. For those nominated, the following votes were cast for directors:

	<u>votes for</u>	<u>votes withheld</u>
(A) Enrique R. Arzac:	16,666,659	185,561
(B) Daniel E. Emerson:	16,610,743	241,477
(C) Edward J. Kelly, III:	16,653,843	198,377
(D) Thomas H. Lenagh:	16,569,874	282,346
(E) W.D. MacCallan:	16,620,869	231,351
(F) W. Perry Neff:	16,604,242	247,978
(G) Douglas G. Ober:	16,656,172	196,048
(H) Landon Peters:	16,643,582	208,638
(I) John J. Roberts:	16,581,393	270,827
(J) Susan C. Schwab:	16,642,378	209,842
(K) Robert J.M. Wilson:	16,580,843	271,377

A proposal to approve and ratify the selection of PricewaterhouseCoopers LLP as the firm of independent accountants of the Corporation for 2002 was approved with 16,608,886 votes for, 136,368 votes against, and 106,966 votes abstaining.

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.

## 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.

#### The Corporation

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General Counsel  
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#### The Transfer Agent

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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.

# 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. Stegner	<i>Assistant Secretary</i>

## Stock Data

Price (3/31/02)	\$25.25
Net Asset Value (3/31/02)	\$26.29
Discount:	4.0%
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)	\$0.17
From Net Realized Gains	0.09
Total	<u>\$0.26</u>

## 2002 Dividend Payment Dates

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

\*Anticipated



Petroleum  
& Resources  
Corporation

®

## FIRST QUARTER REPORT

March 31, 2002



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for the future®