

We submit herewith the financial statements of Petroleum & Resources Corporation (the Corporation) for the six months ended June 30, 2008. In addition, there are provided the report of the independent registered public accounting firm, a schedule of investments, and other financial information.

Net assets of the Corporation at June 30, 2008 were \$50.26 per share on 22,640,707 shares outstanding, compared with \$42.99 per share at December 31, 2007 on 22,768,250 shares outstanding. On March 1, 2008, a distribution of \$0.13 per share was paid, consisting of \$0.05 from 2007 long-term capital gain, \$0.04 from 2007 short-term capital gain, \$0.03 from 2007 investment income, and \$0.01 from 2008 investment income, all taxable in 2008. A 2008 investment income dividend of \$0.13 per share was paid on June 1, 2008, and another \$0.13 per share investment income dividend has been declared to shareholders of record August 12, 2008, payable September 1, 2008.

Net investment income for the six months ended June 30, 2008 amounted to \$4,740,462, compared with \$4,576,717 for the same six month period in 2007. These earnings are equal to \$0.21 per share in each period.

Net capital gain realized on investments for the six months ended June 30, 2008 amounted to \$38,377,327, or \$1.70 per share.

For the six month ended June 30, 2008, the total return on net asset value (with dividends and capital gains reinvested) of shares of the Corporation was 17.7%. The total return on the market value of the Corporation's shares for the period was 13.5%. These compare to a 10.1% change in the Dow Jones Oil and Gas

Index and a (11.6)% total return for the Standard & Poor's 500 Composite Stock Index over the same time period.

For the twelve months ended June 30, 2008, the Corporation's total return on net asset value was 30.7% and on market value was 25.8%. Comparable figures for the Dow Jones Oil & Gas Index and the S&P 500 were 24.7% and (13.1)%, respectively.

Current and potential stockholders 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, on our website at www.peteres.com. Also available on the website are a brief history of the Corporation, historical financial information, and other useful content. Further information regarding stockholder services is located on page 15 of this report.

By order of the Board of Directors,



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

July 10, 2008

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2008

Assets

Investments* at value:

Common stocks and convertible securities (cost \$402,154,241)	\$1,135,810,363	
Short-term investments (cost \$9,140,599)	9,140,599	
Securities lending collateral (cost \$145,526,187)	145,526,187	\$1,290,477,149

Cash	256,550
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Receivables:

Investment securities sold	1,068,259
Dividends and interest	598,671

Prepaid expenses and other assets	590,404
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<i>Total Assets</i>	1,292,991,033
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Liabilities

Investment securities purchased	5,936,600
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Open written option contracts at value (proceeds \$51,100)	35,000
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Obligations to return securities lending collateral	145,526,187
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Accrued expenses	3,608,897
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<i>Total Liabilities</i>	155,106,684
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Net Assets	\$1,137,884,349
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Net Assets

Common Stock at par value \$0.001 per share, authorized 50,000,000 shares; issued and outstanding 22,640,707 shares (includes 31,934 restricted shares, 4,000 restricted stock units, and 2,599 deferred stock units) (Note 6)	\$ 22,641
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Additional capital surplus	367,815,192
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Accumulated other comprehensive income (Note 5)	(2,111,212)
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Undistributed net investment income	213,633
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Undistributed net realized gain on investments	38,271,873
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Unrealized appreciation on investments	733,672,222
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Net Assets Applicable to Common Stock	\$1,137,884,349
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Net Asset Value Per Share of Common Stock	\$50.26
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* See Schedule of Investments on page 10.

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, 2008

Investment Income

Income:	
Dividends	\$ 6,863,647
Interest and other income	588,238
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<i>Total income</i>	7,451,885
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Expenses:	
Investment research	1,134,489
Administration and operations	721,295
Directors' fees	206,859
Reports and stockholder communications	110,290
Occupancy and other office expenses	89,540
Transfer agent, registrar and custodian expenses	75,933
Insurance	75,056
Investment data services	70,103
Auditing and accounting services	55,270
Travel, telephone and postage	49,093
Legal services	27,104
Other	96,391
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<i>Total expenses</i>	2,711,423
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Net Investment Income	4,740,462
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Other Comprehensive Income (Note 5)	(54,320)
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Realized Gain and Change in Unrealized Appreciation on Investments	
Net realized gain on security transactions	38,377,327
Change in unrealized appreciation on investments	126,770,932
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Net Gain on Investments	165,148,259
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Change in Net Assets Resulting from Operations	\$169,834,401

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, 2008	Year Ended December 31, 2007
From Operations:		
Net investment income	\$ 4,740,462	\$ 10,070,758
Net realized gain on investments	38,377,327	82,692,239
Change in unrealized appreciation on investments	126,770,932	144,503,271
Other comprehensive income (Note 5)	(54,320)	(89,917)
<i>Increase in net assets resulting from operations</i>	169,834,401	237,176,351
Distributions to Stockholders from:		
Net investment income	(3,851,647)	(10,678,823)
Net realized gain from investment transactions	(2,047,321)	(82,870,511)
<i>Decrease in net assets from distributions</i>	(5,898,968)	(93,549,334)
From Capital Share Transactions:		
Value of shares issued in payment of distributions	5,566	41,992,828
Cost of shares purchased (Note 4)	(5,284,463)	(19,224,514)
Deferred compensation (Notes 4,6)	307,984	477,259
<i>Change in net assets from capital share transactions</i>	(4,970,913)	23,245,573
Total Increase in Net Assets	158,964,520	166,872,590
Net Assets:		
Beginning of period	978,919,829	812,047,239
End of period (including undistributed net investment income of \$213,633 and \$0, respectively)	\$1,137,884,349	\$978,919,829

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

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

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 stockholders are recognized on the ex-dividend date, and interest income is recognized on the accrual basis.

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 which approximates fair value. Purchased and written options are valued at the last quoted asked price.

The Corporation adopted Financial Accounting Standard Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (“FAS 157”), effective January 1, 2008. There was no impact on the fair value of assets individually or in aggregate upon adoption. In accordance with FAS 157, fair value is defined as the price that the Corporation would receive upon selling an investment in an orderly transaction to an independent buyer. FAS 157 established a three-tier hierarchy to establish classification of fair value measurements, summarized as follows:

- Level 1 — fair value is determined based on market data obtained from independent sources; for example, quoted prices in active markets for identical investments,

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

The Corporation’s investments at June 30, 2008 are classified as follows:

	Investment in securities	Written options
Level 1	\$1,135,810,363	\$35,000
Level 2	154,666,786*	—
Level 3	—	—
Total	\$1,290,477,149	\$35,000

* Comprised of short-term investments and securities lending collateral.

2. FEDERAL INCOME TAXES

The Corporation’s policy is to distribute all of its taxable income to its stockholders in compliance with the requirements of the Internal Revenue Code applicable to regulated investment companies. Therefore, no federal income tax provision is required. For federal income tax purposes, the identified cost of securities at June 30, 2008 was \$556,791,203 and net unrealized appreciation aggregated \$733,685,946, of which the related gross unrealized appreciation and depreciation were \$736,359,498 and \$2,673,552 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. Any income tax-related interest or penalties would be classified as income tax expense.

3. INVESTMENT TRANSACTIONS

The Corporation’s investment decisions are made by a committee of management, and recommendations to that committee are made by the research staff.

Purchases and sales of portfolio securities, other than options and short-term investments, during the six months ended June 30, 2008 were \$114,005,745 and \$84,818,249, respectively. Options may be written (sold) or purchased by the Corporation. When the Corporation writes an option, an

amount equal to the premium received by the Corporation is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from unexercised put/call options are treated as realized gains from investments, premiums received from exercised put options reduces the cost basis of the securities purchased, and premiums received from exercised call options are added to the proceeds from the sale of the underlying security in determining whether there is a realized gain or loss. The Corporation as writer of an option bears the risks of possible illiquidity of the option markets and the unfavorable change in the price of the security underlying the written option. The risk is limited to the premium originally paid for the option. A schedule of outstanding option contracts as of June 30, 2008 can be found on page 12.

Transactions in written covered call and collateralized put options during the six months ended June 30, 2008 were as follows:

	Covered Calls		Collateralized Puts	
	Contracts	Premiums	Contracts	Premiums
Options outstanding, December 31, 2007	725	\$ 87,378	650	\$ 69,304
Options written	3,708	540,366	900	110,049
Options terminated in closing purchase transactions	(1,000)	(89,444)	(750)	(89,944)
Options expired	(2,533)	(400,035)	(800)	(89,409)
Options exercised	(600)	(87,165)	—	—
Options outstanding, June 30, 2008	300	\$ 51,100	—	\$ —

4. CAPITAL STOCK

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

On December 27, 2007, the Corporation issued 1,109,759 shares of its Common Stock at a price of \$37.825 per share (the average market price on December 11, 2007) to stockholders of record on November 21, 2007 who elected to take stock in payment of the distribution from 2007 capital gain and investment income. In addition, 446 shares were issued at a weighted average price of \$36.09 per share as dividend equivalents to holders of deferred stock units and restricted stock units under the 2005 Equity Incentive Compensation Plan.

During 2008, the Corporation has issued 286 shares of its Common Stock at a weighted average price of \$37.44 per

share as dividend equivalents to holders of deferred stock units and restricted stock units under the 2005 Equity Incentive Compensation Plan.

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 2008 and 2007 were as follows:

	Shares		Amount	
	Six months ended June 30, 2008	Year ended December 31, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
Shares issued in payment of dividends	286	1,110,205	\$ 5,566	\$ 41,992,828
Shares purchased (at a weighted average discount from net asset value of 11.3% and 9.9%, respectively)	(141,500)	(538,375)	(5,284,463)	(19,224,514)
Net activity under the Equity-Based Compensation Plans	13,671	15,553	307,984	477,259
Net change	(127,543)	587,383	\$(4,970,913)	\$ 23,245,573

5. RETIREMENT PLANS

The Corporation's non-contributory qualified defined benefit pension plan covers all employees with at least one year of service. In addition, the Corporation has a non-contributory nonqualified defined benefit plan which provides eligible employees with retirement benefits to supplement the qualified plan. Benefits are based on length of service and compensation during the last five years of employment.

The funded status of the plans is recognized as an asset (overfunded plan) or a liability (underfunded plan) in the Statement of Assets and Liabilities. Changes in the prior service costs and accumulated actuarial gains and losses are recognized as accumulated other comprehensive income, a component of net assets, in the year in which the changes occur.

The Corporation's policy is to contribute annually to the plans those amounts that can be deducted for federal income tax purposes, plus additional amounts as the Corporation deems appropriate in order to provide assets sufficient to meet benefits to be paid to plan participants. During the six months ended June 30, 2008, the Corporation contributed \$15,604 to the plans and expects to contribute up to \$500,000 to the plans during the remainder of 2008.

The following table aggregates the components of the plans' net periodic pension cost.

	Six months ended June 30, 2008	Year ended December 31, 2007
Service Cost	\$ 139,760	\$ 348,352
Interest Cost	174,835	374,693
Expected return on plan assets	(140,557)	(368,752)
Amortization of prior service cost	17,952	37,717
Amortization of net loss	115,955	226,165
Net periodic pension cost	\$ 307,945	\$ 618,175

The Corporation also sponsors a defined contribution plan that covers substantially all employees. For the six months ended June 30, 2008, the Corporation expensed contributions of \$60,084. The Corporation does not provide postretirement medical benefits.

6. EQUITY-BASED COMPENSATION

Although the Stock Option Plan of 1985 ("1985 Plan") has been discontinued and no further grants will be made under this plan, unexercised grants of stock options and stock appreciation rights granted in 2004 and prior years remain outstanding. The exercise price of the unexercised options and related stock appreciation rights is the fair market value on date of grant, reduced by the per share amount of capital gains paid by the Corporation during subsequent years. All options and related stock appreciation rights terminate 10 years from date of grant, if not exercised.

A summary of option activity under the 1985 Plan as of June 30, 2008, and changes during the six month period then ended is presented below:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2007	49,681	\$11.53	3.68
Exercised	(13,366)	11.31	—
Outstanding at June 30, 2008	36,315	\$11.50	3.47
Exercisable at June 30, 2008	10,762	\$ 8.57	2.81

The options outstanding as of June 30, 2008 are set forth below:

Exercise Price	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
\$5.00-\$7.74	3,975	\$ 5.80	0.50
\$7.75-\$10.49	10,370	9.14	4.50
\$10.50-\$13.24	9,508	12.31	3.50
\$13.25-\$16.00	12,462	14.66	3.55
Outstanding at June 30, 2008	36,315	\$11.50	3.47

Compensation cost resulting from stock options and stock appreciation rights granted under the 1985 Plan is based on the intrinsic value of the award, recognized over the award's vesting period, and remeasured at each reporting date through the date of settlement. The total compensation cost recognized for the six months ended June 30, 2008 was \$222,330.

The 2005 Equity Incentive Compensation Plan ("2005 Plan"), adopted at the 2005 Annual Meeting, permits the grant of stock options, restricted stock awards and other stock incentives to key employees and all non-employee directors. The 2005 Plan provides for the issuance of up to 872,639 shares of the Corporation's Common Stock, including both performance and nonperformance-based restricted stock. Performance-based restricted stock awards vest at the end of a specified three year period, with the ultimate number of shares earned contingent on achievement of certain performance targets. If performance targets are not achieved, all or a portion of the performance-based awards are forfeited and become available for future grants. Nonperformance-based restricted stock awards vest ratably over a three year period and nonperformance-based restricted stock units (granted to non-employee directors) vest over a one year period. It is the current intention that employee grants will be performance-based. The 2005 Plan provides for accelerated vesting in the event of death or retirement. Non-employee directors also may elect to defer a portion of their cash compensation, with such deferred amount to be paid by delivery of deferred stock units. Outstanding awards are granted at fair market value on grant date. The number of shares of Common Stock which remain available for future grants under the 2005 Plan at June 30, 2008 is 825,137 shares.

A summary of the status of the Corporations' awards granted under the 2005 Plan as of June 30, 2008, and changes during the six month period then ended is presented below:

Awards	Shares/Units	Weighted Average Grant-Date Fair Value
Balance at December 31, 2007	30,162	\$32.99
Granted:		
Restricted stock	8,752	37.51
Restricted stock units	4,000	36.85
Deferred stock units	361	37.81
Vested	(4,742)	32.54
Forfeited	—	—
Balance at June 30, 2008 (includes 31,934 performance-based awards and 6,599 nonperformance-based awards)	38,533	\$34.52

Compensation costs resulting from awards granted under the 2005 Plan are based on the fair value of the award on grant date (determined by the average of the high and low price on grant date) and recognized on a straight-line basis over the requisite service period. For those awards with performance conditions, compensation costs are based on

the most probable outcome and, if such goals are not met, compensation cost is not recognized and any previously recognized compensation cost is reversed. The total compensation costs for restricted stock granted to employees for the period ended June 30, 2008 were \$196,421. The total compensation costs for restricted stock units granted to non-employee directors for the period ended June 30, 2008 were \$79,392. As of June 30, 2008, there were total unrecognized compensation costs of \$611,807, a component of additional capital surplus, related to nonvested equity-based compensation arrangements granted under the 2005 Plan. Those costs are expected to be recognized over a weighted average period of 1.70 years. The total fair value of shares vested during the six month period ended June 30, 2008 was \$146,792.

7. OFFICER AND DIRECTOR COMPENSATION

The aggregate remuneration paid during the six months ended June 30, 2008 to officers and directors amounted to \$1,782,192, of which \$198,607 was paid as fees and compensation to directors who were not officers. These amounts represent the taxable income to the Corporation's officers and directors and therefore differ from the amounts reported in the accompanying Statement of Operations that are recorded and expensed in accordance with generally accepted accounting principles.

8. PORTFOLIO SECURITIES LOANED

The 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. The market value of the loaned securities is calculated based upon the most recent closing prices and any additional required collateral is delivered to the Corporation on the next business day. 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, 2008, the Corporation had securities on loan of \$143,104,209 and held collateral of \$145,526,187, consisting of an investment trust fund which may invest in money market instruments, commercial paper, repurchase agreements, U.S. Treasury Bills, and U.S. agency obligations.

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

FINANCIAL HIGHLIGHTS

	Six Months Ended		Year Ended December 31				
	June 30, 2008	June 30, 2007	2007	2006	2005	2004	2003
Per Share Operating Performance							
Net asset value, beginning of period	\$42.99	\$36.61	\$36.61	\$35.24	\$28.16	\$24.06	\$20.98
Net investment income	0.21	0.21	0.46	0.47	0.53*	0.41	0.38
Net realized gains and increase (decrease) in unrealized appreciation	7.29	6.25	10.37	4.91	8.29	5.05	3.89
Change in accumulated other comprehensive income (note 5)	0.00	0.00	0.00	(0.09)	—	—	—
Total from investment operations	7.50	6.46	10.83	5.29	8.82	5.46	4.27
Less distributions							
Dividends from net investment income	(0.17)	(0.16)	(0.49)	(0.47)	(0.56)	(0.44)	(0.38)
Distributions from net realized gains	(0.09)	(0.10)	(3.82)	(3.33)	(1.22)	(0.88)	(0.81)
Total distributions	(0.26)	(0.26)	(4.31)	(3.80)	(1.78)	(1.32)	(1.19)
Capital share repurchases	0.03	0.05	0.10	0.15	0.10	0.01	0.02
Reinvestment of distributions	0.00	0.00	(0.24)	(0.27)	(0.06)	(0.05)	(0.02)
Total capital share transactions	0.03	0.05	(0.14)	(0.12)	0.04	(0.04)	0.00
Net asset value, end of period	\$50.26	\$42.86	\$42.99	\$36.61	\$35.24	\$28.16	\$24.06
Market price, end of period	\$43.59	\$38.62	\$38.66	\$33.46	\$32.34	\$25.78	\$23.74
Total Investment Return							
Based on market price	13.5%	16.3%	28.9%	15.3%	32.3%	14.4%	30.8%
Based on net asset value	17.7%	17.9%	31.0%	15.7%	32.0%	23.3%	21.2%
Ratios/Supplemental Data							
Net assets, end of period (in 000's)	\$1,137,884	\$937,676	\$978,920	\$812,047	\$761,914	\$618,887	\$522,941
Ratio of expenses to average net assets	0.54% †	0.61% †	0.54%	0.60%	0.59%	0.56%	0.74%
Ratio of net investment income to average net assets	0.95% †	1.07% †	1.12%	1.22%	1.61%	1.58%	1.75%
Portfolio turnover	17.25% †	2.36% †	7.36%	9.95%	10.15%	13.44%	10.20%
Number of shares outstanding at end of period (in 000's)	22,641	21,877	22,768	22,181	21,621	21,980	21,737

* In 2005 the Corporation received dividend income of \$3,032,857, or \$0.14 per share, as a result of Precision Drilling Corp.'s reorganization.

† Ratios presented on an annualized basis.

SCHEDULE OF INVESTMENTS

June 30, 2008

	Shares	Value (A)		Shares/ Prin. Amt.	Value (A)
Stocks And Convertible Securities — 99.8%					
Energy — 91.8%					
Integrated — 33.6%					
Chevron Corp.	915,000	\$ 90,703,950			
ConocoPhillips (B)	556,891	52,564,941			
Exxon Mobil Corp.	1,245,000	109,721,850			
Hess Corp.	195,000	24,607,050			
Marathon Oil Co.	240,000	12,448,800			
Murphy Oil Corp.	216,500	21,227,825			
Royal Dutch Shell plc ADR	265,000	21,653,150			
Suncor Energy	280,000	16,273,600			
Total S.A. ADR	390,000	33,255,300			
		382,456,466			
Exploration & Production — 17.4%					
Apache Corp.	200,000	27,800,000			
Devon Energy Corp.	310,000	37,249,600			
EOG Resources, Inc.	200,000	26,240,000			
Forest Oil Corp (C)	37,000	2,756,500			
Noble Energy, Inc. (B)	340,000	34,190,400			
Occidental Petroleum Corp.	400,000	35,944,000			
XTO Energy Inc.	487,500	33,398,625			
		197,579,125			
Services — 28.5%					
Baker Hughes, Inc.	205,000	17,904,700			
Complete Production Services, Inc. (B)(C)	400,500	14,586,210			
Halliburton Co.	600,000	31,842,000			
Hercules Offshore, Inc. (B)(C)	600,000	22,812,000			
Nabors Industries Ltd. (B)(C)	520,000	25,599,600			
National Oilwell Varco, Inc. (C)	138,538	12,291,091			
Noble Corp.	600,000	38,976,000			
Schlumberger Ltd.	700,000	75,201,000			
Transocean Inc. (C)	237,953	36,261,658			
Weatherford International, Ltd. (C)	987,120	48,951,281			
		324,425,540			
Utilities — 12.3%					
Energen Corp.	350,000	27,310,500			
Equitable Resources Inc.	440,000	30,386,400			
MDU Resources Group, Inc.	375,000	13,072,500			
National Fuel Gas Co.	200,000	11,896,000			
New Jersey Resources Corp. (B)	300,000	9,795,000			
Northeast Utilities	200,000	5,106,000			
Questar Corp.	300,000	21,312,000			
Spectra Energy Corp.	108,812	3,127,257			
Williams Companies, Inc.	450,000	18,139,500			
		140,145,157			
Basic Industries — 8.0%					
Basic Materials & Other — 8.0%					
Air Products and Chemicals, Inc.	115,000	\$ 11,368,900			
du Pont (E.I.) de Nemours and Co.	157,500	6,755,175			
International Coal Group, Inc. (B)(C)	3,000,000	39,150,000			
Lubrizol Corp.	135,000	6,254,550			
Massey Energy Co.	230,808	21,638,250			
Rohm & Haas Co. (B)	130,000	6,037,200			
		91,204,075			
Total Stocks And Convertible Securities (Cost \$402,154,241) (D)					1,135,810,363
Short-Term Investments — 0.8%					
Time Deposit — 0.0%					
Wells Fargo Bank, 1.60%, due 7/1/08					243,322
Commercial Paper — 0.8%					
American Express Credit Corp., 1.95%, due 7/10/08	\$1,000,000				999,513
American General Finance Corp., 2.65-2.85%, due 7/8/08	\$3,700,000				3,697,996
General Electric Capital Corp., 1.90%, due 7/3/08	\$2,200,000				2,199,768
Toyota Motor Credit Corp., 2.03%, due 7/1/08	\$2,000,000				2,000,000
					8,897,277
Total Short-Term Investments (Cost \$9,140,599)					9,140,599
Total Securities Lending Collateral — 12.8% (Cost \$145,526,187)					
Brown Brothers Investment Trust, 2.70%, due 7/1/08					145,526,187
Total Investments — 113.4% (Cost \$556,821,027)					1,290,477,149
Cash, receivables, prepaid expenses and other assets, less liabilities — (13.4)%					(152,592,800)
Net Assets — 100%					\$1,137,884,349

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 of the shares of this company are on loan. See note 8 to financial statements.
 (C) Presently non-dividend paying.
 (D) The aggregate market value of stocks held in escrow at June 30, 2008 covering open call option contracts written was \$2,729,500.

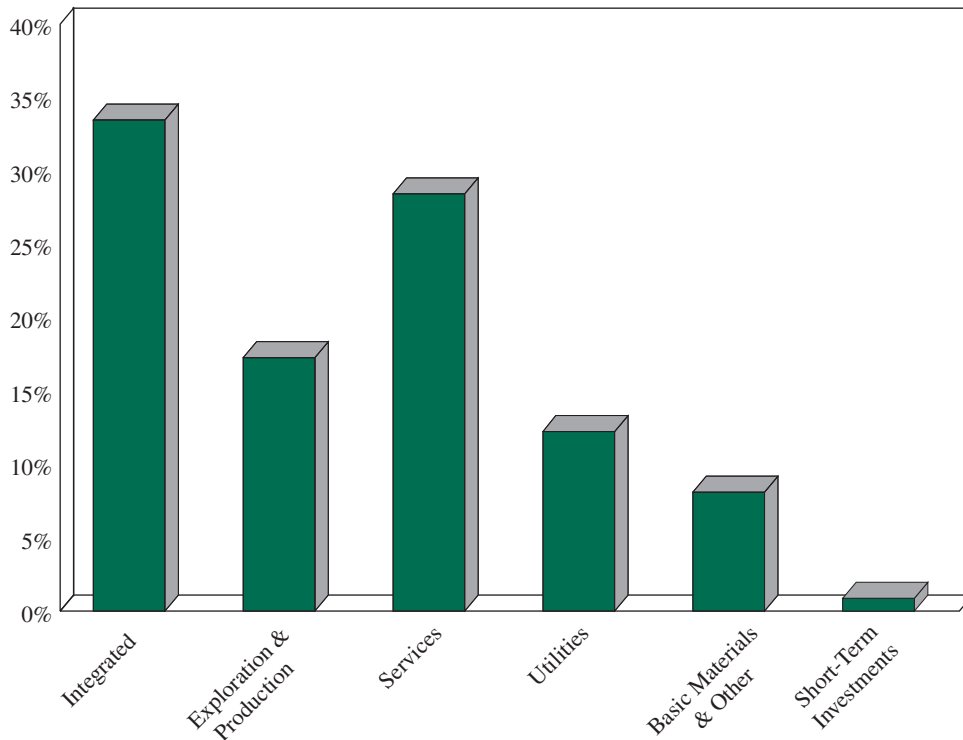
P O R T F O L I O S U M M A R Y

June 30, 2008
(unaudited)

TEN LARGEST PORTFOLIO HOLDINGS

	<i>Market Value</i>	<i>% of Net Assets</i>
Exxon Mobil Corp.	\$109,721,850	9.6%
Chevron Corp.	90,703,950	8.0
Schlumberger Ltd.	75,201,000	6.6
ConocoPhillips	52,564,941	4.6
Weatherford International, Ltd.	48,951,281	4.3
International Coal Group, Inc.	39,150,000	3.4
Noble Corp.	38,976,000	3.4
Devon Energy Corp.	37,249,600	3.3
Transocean Inc.	36,261,658	3.2
Occidental Petroleum Corp.	35,944,000	3.2
Total	<u>\$564,724,280</u>	<u>49.6%</u>

SECTOR WEIGHTINGS



SCHEDULE OF OUTSTANDING OPTION CONTRACTS

June 30, 2008

Contracts (100 shares each)	Security	Strike Price	Contract Expiration Date	Appreciation/ (Depreciation)
COVERED CALLS				
100	Air Products and Chemicals, Inc.	\$ 115	Sep 08	\$ 200
100	du Pont (E.I.) de Nemours and Co.	55	Oct 08	13,700
100	EOG Resources, Inc.	170	Oct 08	2,200
<u>300</u>				<u>\$16,100</u>

CHANGES IN PORTFOLIO SECURITIES

*During the Three Months Ended June 30, 2008
(unaudited)*

	Shares		Held June 30, 2008
	Additions	Reductions	
Chevron Corp.	200,000		915,000
Complete Production Services, Inc.	400,500		400,500
Halliburton Co.	600,000		600,000
Massey Energy Co.	133,929		230,808
National Oilwell Varco, Inc.	138,538 ⁽¹⁾		138,538
Schlumberger Ltd.	140,000		700,000
Suncor Energy	190,000 ⁽²⁾		280,000
Weatherford International, Ltd.	493,560 ⁽²⁾		987,120
AGL Resources Inc.		170,000	—
Aqua America, Inc.		281,000	—
BJ Services Co.		202,600	—
Devon Energy Corp.		20,000	310,000
Duke Energy Corp.		217,624	—
Energen Corp.		50,000	350,000
ENSCO International, Inc.		209,150	—
EOG Resources, Inc.		30,000	200,000
Equitable Resources Inc.		10,000	440,000
General Electric Co.		164,000	—
Grant Prideco Inc.		308,000 ⁽¹⁾	—
Rohm & Haas Co.		20,000	130,000
Valero Energy Corp.		425,000	—

⁽¹⁾ Received \$23.30 and 0.4498 share for each share of Grant Prideco Inc. surrendered.

⁽²⁾ By stock split.

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

(unaudited)

Dec. 31	Value Of Net Assets	Shares Outstanding*	Net Asset Value Per Share*	Market Value Per Share*	Dividends From Investment Income Per Share*	Distributions From Net Realized Gains Per Share*	Total Dividends and Distributions Per Share*	Annual Rate of Distribution**
1998	\$ 474,821,118	20,762,063	\$22.87	\$20.42	\$.52	\$1.01	\$1.53	6.48%
1999	565,075,001	21,471,270	26.32	21.50	.48	1.07	1.55	7.00
2000	688,172,867	21,053,644	32.69	27.31	.39	1.35	1.74	6.99
2001	526,491,798	21,147,563	24.90	23.46	.43	1.07	1.50	5.61
2002	451,275,463	21,510,067	20.98	19.18	.43	.68	1.11	5.11
2003	522,941,279	21,736,777	24.06	23.74	.38	.81	1.19	5.84
2004	618,887,401	21,979,676	28.16	25.78	.44	.88	1.32	5.40
2005	761,913,652	21,621,072	35.24	32.34	.56	1.22	1.78	5.90
2006	812,047,239	22,180,867	36.61	33.46	.47	3.33	3.80	11.26
2007	978,919,829	22,768,250	42.99	38.66	.49	3.82	4.31	11.61
June 30, 2008	1,137,884,349	22,640,707	50.26	43.59	.30†	.09†	.39†	—

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

** The Annual Rate of Distribution is the total dividends and capital gain distributions during the year divided by the average daily market price of the Corporation's Common Stock.

† Paid or declared.

Common Stock

Listed on the New York Stock Exchange

Petroleum & Resources Corporation

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

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

Website: www.peteres.com

E-mail: contact@peteres.com

Counsel: Chadbourne & Parke L.L.P.

Independent Registered Public Accounting Firm: PricewaterhouseCoopers LLP

Transfer Agent & Registrar: American Stock Transfer & Trust Co.

Custodian of Securities: Brown Brothers Harriman & Co.

**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 (the "Corporation") at June 30, 2008, the results of its operations, the changes in its net assets and the financial highlights for each of the 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at June 30, 2008 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Baltimore, Maryland
July 14, 2008

O T H E R I N F O R M A T I O N

**STATEMENT ON QUARTERLY FILING OF
COMPLETE PORTFOLIO SCHEDULE**

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

PROXY VOTING POLICIES AND RECORD

A description of the policies and procedures that the Corporation uses to determine how to vote proxies relating to portfolio securities owned by the Corporation and information as to how the Corporation voted proxies relating to portfolio securities during the 12 month period ended June 30, 2008 are available (i) without charge, upon request, by calling the Corporation's toll free number at (800) 638-2479; (ii) on the Corporation's website by clicking on "Corporate Information" heading

on the website; and (iii) on the Securities and Exchange Commission's website at <http://www.sec.gov>.

PRIVACY POLICY

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

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

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

DIVIDEND PAYMENT SCHEDULE

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

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

INVESTORS CHOICE

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

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

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

To transfer shares to another participant or to a new participant

Fees are subject to change at any time.

Minimum and Maximum Cash Investments

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

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

For Non-Registered Stockholders

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

The Corporation

Petroleum & Resources Corporation

Lawrence L. Hooper, Jr.

Vice President, General Counsel and Secretary

Seven St. Paul Street, Suite 1140, Baltimore, MD 21202
(800) 638-2479

Website: www.peteres.com

E-mail: contact@peteres.com

The Transfer Agent

American Stock Transfer & Trust Company

Address Stockholder Inquiries to:

Stockholder Relations Department

59 Maiden Lane

New York, NY 10038

(866) 723-8330

Website: www.amstock.com

E-mail: info@amstock.com

Investors Choice Mailing Address:

Attention: Dividend Reinvestment

P.O. Box 922

Wall Street Station

New York, NY 10269-0560

Website: www.amstock.com

E-mail: info@amstock.com

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

Board of Directors

Enrique R. Arzac ^{2,4}	Roger W. Gale ^{1,3,5}
Phyllis O. Bonanno ^{1,4,5}	Thomas H. Lenagh ^{2,3}
Kenneth J. Dale ^{3,4}	Kathleen T. McGahran ^{1,4,5}
Daniel E. Emerson ^{1,3,5}	Douglas G. Ober ¹
Frederic A. Escherich ^{2,3}	Craig R. Smith ^{2,4}

1. Member of Executive Committee
2. Member of Audit Committee
3. Member of Compensation Committee
4. Member of Retirement Benefits Committee
5. Member of Nominating and Governance Committee

Officers

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

Stock Data

Market Price (6/30/08)	\$43.59
Net Asset Value (6/30/08)	\$50.26
Discount:	13.3%

New York Stock Exchange ticker symbol: PEO
NASDAQ Mutual Fund Quotation Symbol: XPEOX
Newspaper stock listings are generally under the
abbreviation: PetRs

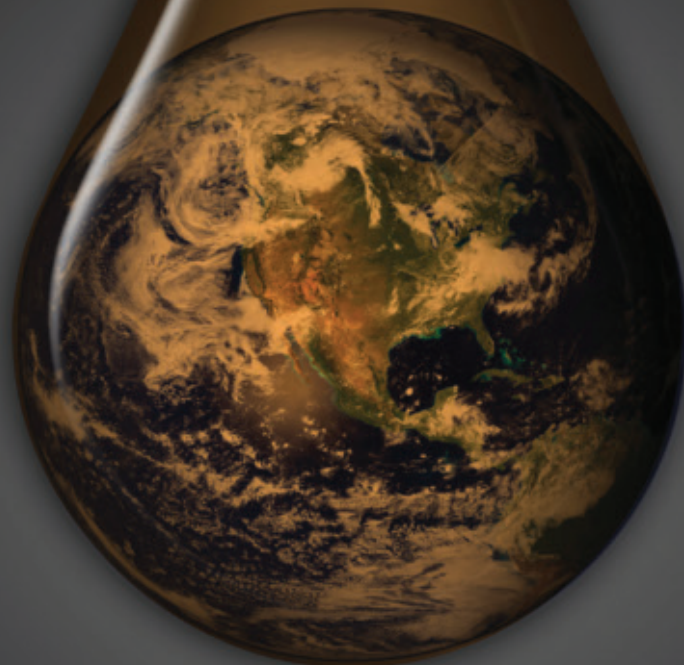
Distributions in 2008

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

2008 Dividend Payment Dates

- March 1, 2008
- June 1, 2008
- September 1, 2008
- December 27, 2008*

*Anticipated



**INVESTMENTS IN GLOBAL ENERGY
AND NATURAL RESOURCES**

*Petroleum & Resources Corporation
Semi-Annual Report – June 30, 2008*