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PETROLEUM & RESOURCES CORP

Form N-30D

February 19, 2003

[LOGO OF PETROLEUM & RESOURCES CORPORATION]

Annual Report

2002

investing in resources  
for the future\R\

2002 AT A GLANCE

THE COMPANY

- .. a closed-end equity investment company emphasizing natural resources stocks
- .. objectives: preservation of capital reasonable income opportunity for capital gain
- .. internally-managed
- .. low expense ratio
- .. low turnover

STOCK DATA

NYSE Symbol..... PEO  
Market Price as of 12/31/02 \$19.18  
Discount..... 8.6%  
52-Week Range..... \$25.74-\$17.31  
Shares Outstanding..... 21,510,067

SUMMARY FINANCIAL INFORMATION

	Year Ended December 31	
	2002	2001
Net asset value per share	\$ 20.98	\$ 24.90
Total net assets	451,275,463	526,491,798
Unrealized appreciation	118,780,607	200,798,077
Net investment income	8,983,077	10,098,102
Total realized gain	14,332,921	22,308,303
Total return (based on market value)	(13.7)%	(8.7)%
Total return (based on net asset value)	(11.1)%	(19.0)%
Expense ratio	0.49%	0.35%

2002 DIVIDENDS AND DISTRIBUTIONS

Paid	Amount (per share)	Type
March 1, 2002	\$0.08	Long-term capital gain
March 1, 2002	0.01	Short-term capital gain

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March 1, 2002	0.04	Investment income
June 1, 2002	0.13	Investment income
September 1, 2002	0.13	Investment income
December 27, 2002	0.59	Long-term capital gain
December 27, 2002	0.13	Investment income

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\$1.11  
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### 2003 ANNUAL MEETING OF STOCKHOLDERS

Location: Hyatt Regency O'Hare, Chicago, Illinois

Date: March 25, 2003

Time: 10:00 a.m.

Holders of Record: February 14, 2003

### PORTFOLIO REVIEW

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#### TEN LARGEST PORTFOLIO HOLDINGS (12/31/02)

	Market Value % of Net Assets	
-----		
Exxon Mobil Corp.	\$ 36,687,000	8.1
Royal Dutch Petroleum Co.	29,053,200	6.4
ChevronTexaco Corp.	19,944,000	4.4
BP plc ADR	19,593,300	4.4
BJ Services Co.	12,924,000	2.9
Equitable Resources Inc.	12,649,440	2.8
Anadarko Petroleum Corp.	11,975,000	2.7
Ocean Energy, Inc.	10,983,500	2.4
TotalFina Elf ADR	8,937,500	2.0
Apache Corp.	8,776,460	1.9
-----		
Total	\$171,523,400	38.0%
-----		

#### SECTOR WEIGHTINGS (12/31/02)

[CHART]

Internationals	26.6%
Domestics	7.0%
Producers	13.8%
Distributors	16.7%
Services	13.3%
Basic Materials & Other	8.2%
Paper & Forest Products	3.1%
Cash & Equivalent	10.7%

## LETTER TO STOCKHOLDERS

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Each year at this time we appreciate the opportunity to share with you our perspective on the past year. In addition, we discuss what the new year might hold for the economy, energy and equity markets in general, and your fund.

## THE YEAR IN REVIEW

The return on net assets, including income and capital gains distributions for the calendar year, was a decrease of 11.1%, besting the 22.1% negative rate of return for the Standard & Poor's 500 Stock Index. Similarly, the Dow Jones Energy Index fell 15.4% and the average natural resources mutual fund provided a negative return of 6.3%.

For the second consecutive year, the major energy indices declined. Within the various energy sub-sectors, mid-sized exploration companies were the leading performers, increasing 0.8%. Major international oils and oil service companies also outperformed the general stock market, with declines of 15.7% and 8.7%, respectively. Continuing investor concern over the financial viability of many natural gas pipeline and electrical power generators caused a substantial decrease in their equity valuations. Our diverse holdings in basic industries generated mixed results, with paper and forest products stocks recording declines, and our other holdings collectively outperforming the S&P 500.

Despite surprisingly strong commodity prices throughout most of the year, the Dow Jones Energy Index recorded a disappointing performance. Energy equities declined 6.9% over the first six weeks of the year reflecting concern over weak energy commodity pricing. In mid-February, the Index reversed course as both OPEC and non-OPEC countries adhered to their newly-reduced oil production quota guidelines. By early April, energy equities had rallied up 17.9%. Over the summer, the weak general stock market overshadowed events impacting the energy markets, causing a drop of 32.2%. In August, as oil prices reached \$30 per barrel, the Index rebounded 20.1%. During the remainder of the year, energy stocks were quite volatile, responding to constantly shifting news concerning hostilities in Iraq, civil strife in Venezuela and the potential for significant oil production shortfalls. On a positive note, domestic natural gas prices surged at year-end, responding to substantially colder than normal temperatures. For the fourth quarter, the Energy Index advanced 7.1%.

## Oil Industry

The year began with the oil markets fully supplied, inventories high and worldwide economic activity stagnant. Crude oil prices declined from \$20 per barrel to a low of \$18 in late January, reflecting excess OPEC oil production. After surprisingly strong production quota compliance by the OPEC nations, oil prices stabilized in the low \$20's per barrel. In March, a series of global political events unfolded, which pushed the oil price over \$25 per barrel -- a high level that would continue for the remainder of the year. Initially, strikes by oil workers in Venezuela and then a 30 day oil embargo by Iraq reduced petroleum supply and tightened the oil market. While supply and demand remained in reasonable balance, oil prices commanded a \$4 per barrel premium to offset possible additional supply disruptions. By September, oil prices reached \$30 per barrel as tensions between the United Nations and Iraq escalated and war appeared imminent. At year-end, with United Nations inspectors aggressively searching for Iraqi weapons violations and Venezuela continuing under civil

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strife, concerns over oil supply interruptions caused crude oil prices to escalate to a two-year high of \$32 per barrel.

### Natural Gas Industry

Soft demand and record high storage levels were the central themes entering 2002. Natural gas prices remained at depressed levels throughout the winter. However, beginning in March, gas prices increased 50% matching the sharp upswing in crude oil prices. After evidence developed that domestic gas production was declining at a rate significantly above forecast, gas prices advanced further. With cold weather arriving during the fourth quarter, natural gas prices jumped another 35%, resulting in a year-over-year increase of 97%.

### Electric Power

2002 saw a worsening of the crisis of investor confidence in the utility and power industry. Investors experienced a loss of confidence in the managements and reporting practices of power companies. Credit rating agencies took a much more aggressive approach toward utilities, resulting in numerous credit rating downgrades and higher capital costs. While weather-related demand provided some relief for the industry, excess capacity in unregulated power coupled with weak economic demand led to wholesale pricing pressure.

### INVESTMENT RESULTS

Net assets of the Corporation on December 31, 2002 were \$451,275,463 or \$20.98 per share on 21,510,067 shares outstanding as compared with \$526,491,798 or \$24.90 per share on 21,147,563 shares outstanding a year earlier.

Net investment income for 2002 was \$8,983,077 compared to \$10,098,102 for 2001. These earnings are equivalent to \$0.42 and \$0.49 per share, respectively, on the average number of shares outstanding throughout each year. In 2002, our 0.49% expense ratio (expenses to average net assets) was once again at a very low level compared to the industry.

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### LETTER TO STOCKHOLDERS (CONTINUED)

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Net realized gains amounted to \$14,332,921 during the year, while the unrealized appreciation on investments decreased from \$200,798,077 at December 31, 2001 to \$118,780,607 at year end.

### DIVIDENDS AND DISTRIBUTIONS

Total dividends and distributions paid in 2002 were \$1.11 per share compared to \$1.50 in 2001. As announced on November 14, 2002, a year-end distribution consisting of investment income of \$0.13 and capital gains of \$0.59 was made on December 27, 2002, both realized and taxable in 2002. On January 9, 2003, an additional distribution of \$0.13 per share was declared payable March 1, 2003, representing the balance of undistributed net investment income and capital gains earned in 2002 and an initial distribution from 2003 net investment income, all taxable to shareholders in 2003.

### OUTLOOK FOR 2003

In recent months, the performance of energy equities has lagged the surge in

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petroleum prices, reflecting investor concern that these elevated prices will dampen worldwide economic growth and petroleum consumption. We continue to believe that investor interest in the various energy sectors will return once economic activity improves, military conflicts lessen, and energy prices stabilize.

### Crude Oil

As we stated in last year's report, the prospects for oil markets will continue to be significantly influenced by OPEC's ability to remain united and by the pace of recovery of energy demand. However, in the nearer term, multiple geopolitical events will substantially impact this forecast. Military action against Iraq and a continuing oil workers strike in Venezuela will significantly influence the pricing environment. Oil markets are not expected to return to normal until these conflicts subside and global production levels stabilize. Oil prices currently exceed \$30 per barrel with ongoing, event driven, pricing volatility. Assuming a peaceful resolution with Iraq or a relatively short conflict with no major damage to oil facilities, crude oil prices should return to a more normal level in the mid \$20's per barrel. With worldwide economic activity forecast to strengthen during the second half of 2003, a substantial rebound in oil demand should follow. This environment should enable OPEC to maintain a reasonable degree of unity, which will be positive for the energy markets.

### Natural Gas

Cold temperature-related demand continues to benefit the natural gas market, generating very high prices during January. While weather patterns will be turbulent over the heating season, gas market fundamentals should remain positive. North American natural gas supply will be the ongoing major issue. Domestic gas production declined approximately 4% last year and a 2-3% drop is forecast in 2003. With supplies constrained throughout the year, natural gas prices should remain at very attractive levels.

### Electric Power

The fundamentals in the power industry remain challenging in 2003. Excess capacity in unregulated generation will maintain pricing pressure. Merchant power producers have large amounts of debt maturing. In addition, they face significant capital spending requirements to complete their construction programs. Regulatory investigations are ongoing and pose headline risk to the industry. As the economy recovers, excess capacity should moderate and prices should firm, leading to improvement in the financial position of the industry.

### SHARE REPURCHASE PROGRAM

On December 12, 2002, the Board of Directors authorized the repurchase by management of an additional 5% of the outstanding shares of the Corporation over the ensuing year. The repurchase program is subject to the same restriction as in the past, namely that shares can only be repurchased as long as the discount of the market price of the shares from the net asset value is greater than 8%.

From the beginning of 2003 through February 13, a total of 15,700 shares have been repurchased at a total cost of \$305,932 and a weighted average discount from net asset value of 8.8%.

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The proxy statement for the Annual Meeting of Stockholders to be held in Chicago, Illinois on March 25, 2003, will be mailed on or about February 21, 2003 to holders of record on February 14, 2003.

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By order of the Board of Directors,

/s/ Douglas G. Ober                      /s/ Richard F. Koloski  
 Douglas G. Ober,                      Richard F. Koloski,

Chairman and Chief                      President  
 Executive Officer

February 14, 2003

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STATEMENT OF ASSETS AND LIABILITIES

December 31, 2002

Assets

Investments\* at value:

Common stocks and convertible securities (cost \$281,785,710)	\$400,507,697
Short-term investments (cost \$48,241,451)	48,241,451
	\$448,749,148

Cash	69,969
Securities lending collateral	47,362,964
Receivables:	
Investment securities sold	1,510,573
Dividends and interest	537,880
Prepaid expenses and other assets	1,848,981

Total Assets	500,079,515
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Liabilities

Open written option contracts at value (proceeds \$90,620)	32,000
Obligations to return securities lending collateral	47,362,964
Accrued expenses and other liabilities	1,409,088

Total Liabilities	48,804,052
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Net Assets	\$451,275,463
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Net Assets

Common Stock at par value \$1.00 per share, authorized 50,000,000 shares; issued and outstanding 21,510,067 shares	\$ 21,510,067
Additional capital surplus	307,650,405
Undistributed net investment income	1,474,891
Undistributed net realized gain on investments	1,859,493
Unrealized appreciation on investments	118,780,607

Net Assets Applicable to Common Stock	\$451,275,463
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Net Asset Value Per Share of Common Stock	\$20.98
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\* See schedule of investments on pages 11 through 13.

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

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Investment Income	
Income:	
Dividends	\$ 10,467,257
Interest and other income	890,221
-----	
Total income	11,357,478
-----	
Expenses:	
Investment research	817,002
Administration and operations	516,325
Directors' fees	209,750
Reports and stockholder communications	231,426
Transfer agent, registrar and custodian expenses	168,874
Auditing and accounting services	75,153
Legal services	51,273
Occupancy and other office expenses	130,135
Travel, telephone and postage	78,568
Other	95,895
-----	
Total expenses	2,374,401
-----	
Net Investment Income	8,983,077
-----	
Realized Gain and Change in Unrealized Appreciation on Investments	
Net realized gain on security transactions	14,332,921
Change in unrealized appreciation on investments	(82,017,470)
-----	
Net Loss on Investments	(67,684,549)
-----	
Change in Net Assets Resulting from Operations	\$(58,701,472)
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The accompanying notes are an integral part of the financial statements.

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STATEMENTS OF CHANGES IN NET ASSETS

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	For the Year Ended
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	Dec. 31, 2002 Dec. 31, 2001
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From Operations:

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Net investment income	\$ 8,983,077	\$ 10,098,102
Net realized gain on investments	14,332,921	22,308,303
Change in unrealized appreciation on investments	(82,017,470)	(164,346,055)
<hr style="border-top: 1px dashed black;"/>		
Change in net assets resulting from operations	(58,701,472)	(131,939,650)
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Distributions to Stockholders From:		
Net investment income	(9,069,217)	(8,877,046)
Net realized gain from investment transactions	(14,302,830)	(22,032,850)
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Decrease in net assets from distributions	(23,372,047)	(30,909,896)
<hr style="border-top: 1px dashed black;"/>		
From Capital Share Transactions:		
Value of shares issued in payment of distributions	9,954,365	13,159,002
Cost of shares purchased (note 4)	(3,097,181)	(11,990,525)
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Change in net assets from capital share transactions	6,857,184	1,168,477
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Total Decrease in Net Assets	(75,216,335)	(161,681,069)
<hr style="border-top: 1px dashed black;"/>		
Net Assets:		
Beginning of year	526,491,798	688,172,867
<hr style="border-top: 1px dashed black;"/>		
End of year (including undistributed net investment income of \$1,474,891 and \$1,264,018, respectively)	\$451,275,463	\$ 526,491,798
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The accompanying notes are an integral part of the financial statements.

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### NOTES TO FINANCIAL STATEMENTS

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#### 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 securities 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



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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 December 31, 2002 was \$330,029,338, and net unrealized appreciation aggregated \$118,810,430, of which the related gross unrealized appreciation and depreciation were \$155,185,936 and \$36,375,506, respectively. As of December 31, 2002, the tax basis of distributable earnings was \$596,228 of undistributed ordinary income and \$1,755,172 of undistributed long-term capital gain.

Distributions paid by the Corporation during the year ended December 31, 2002 were classified as ordinary income of \$9,280,692 and capital gain of \$14,091,355. The 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 year ended December 31, 2002 were \$45,721,644 and \$42,742,264, respectively. Options may be written (sold) or purchased by the Corporation. The Corporation, as writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option. The risk associated with purchasing an option is limited to the premium originally paid. A schedule of outstanding option contracts as of December 31, 2002 can be found on page 14.

Transactions in written covered call and collateralized put options during the year ended December 31, 2002 were as follows:

	Covered Calls		Collateralized Puts	
	Contracts	Premiums	Contracts	Premiums
Options outstanding, December 31, 2001	200	\$ 30,849	500	\$ 53,423
Options written	2,275	264,148	2,750	410,186
Options expired	(1,450)	(180,271)	(1,950)	(273,146)
Options exercised	(400)	(56,498)	(1,000)	(158,071)
Options outstanding, December 31, 2002	625	\$ 58,228	300	\$ 32,392

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

### 4. CAPITAL STOCK

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

On December 27, 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)

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to stockholders of record November 19, 2001 who elected to take stock in payment of the distribution from 2001 capital gain and investment income.

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

The Corporation may purchase shares of its Common Stock from time to time at such prices and amounts as the Board of Directors may deem advisable.

Transactions in Common Stock for 2002 and 2001 were as follows:

	Shares		Amount	
	2002	2001	2002	2001
Shares issued in payment of dividends	521,854	579,054	\$ 9,954,365	\$ 13,159,002
Shares purchased (at an average discount from net asset value of 8.9% and 9.4%, respectively)	(159,350)	(429,150)	(3,097,181)	(11,990,525)
Net change	362,504	149,904	\$ 6,857,184	\$ 1,168,477

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### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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The cost of the 14,900 shares of Common Stock held by the Corporation at December 31, 2002 and the 42,832 shares of Common Stock held at December 31, 2001 amounted to \$285,217 and \$1,061,166, respectively.

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 with a weighted average exercise price of \$17.1543

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per share. During 2002, the Corporation granted options, including stock appreciation rights, for 23,769 shares of common stock with an exercise price of \$23.1350 per share. During the year, stock appreciation rights relating to 20,754 stock option shares were exercised at a weighted average market price of \$22.4884 per share and the stock options relating to these rights which had a weighted average exercise price of \$12.2539 per share were cancelled. At December 31, 2002, there were 27,808 outstanding exercisable options to purchase common shares at \$9.1217-\$25.3438 per share (weighted average price of \$16.8761) and unexercisable options to purchase 124,204 common shares at \$9.1217-\$25.3438 per share (weighted average price of \$18.3327). The weighted average remaining contractual life of outstanding exercisable and unexercisable options was 4.9166 years and 6.0014 years, respectively. The total compensation expense recognized in 2002 for the stock option and stock appreciation rights plan was \$(178,953). At December 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 consist primarily of investments in individual stocks, bonds and mutual funds.

The actuarially computed net pension cost for the year ended December 31, 2002 was \$157,956, and consisted of service cost of \$127,443, interest cost of \$243,780, expected return on plan assets of \$334,038, and net amortization expense of \$120,771.

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 expected long-term rate of return on plan assets was 8.0%.

On January 1, 2002, the projected benefit obligation for service rendered to date was \$3,403,647. During 2002, the projected benefit obligation increased due to service cost and interest cost of \$127,443 and \$243,780, respectively, and decreased due to benefits paid in the amount of \$82,329. The projected benefit obligation at December 31, 2002 was \$3,692,541.

On January 1, 2002, the fair value of plan assets was \$4,216,632. During 2002, the fair value of plan assets increased due to the expected return on plan assets of \$334,038 and decreased due to benefits paid in the amount of \$82,329. At December 31, 2002, the fair value of plan assets amounted to \$4,468,341, which resulted in excess plan assets of \$775,800. The remaining components of prepaid pension cost at December 31, 2002 included \$483,064 in unrecognized loss and \$279,565 in unrecognized prior service cost. Prepaid pension cost included in other assets at December 31, 2002 was \$1,538,429.

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 December 31, 2002 for employees and former employees of the Corporation was \$1,220,787. Aggregate remuneration paid or accrued during the year ended December 31, 2002 to key employees and directors amounted to \$766,126.

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### 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 December 31, 2002, the Corporation had securities on loan of \$45,410,331, and held cash collateral of \$47,362,964.

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#### PETROLEUM & RESOURCES CORPORATION

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Calendar Years	Market value of original shares	Cumulative market value of capital gains distributions taken in shares	Cumulative market value of income dividends taken in shares	Total market value	Total net asset value
1988	\$10,080	\$ 563	\$ 403	\$11,046	\$13,066
1989	12,960	1,399	1,193	15,552	17,908
1990	12,060	2,029	1,706	15,795	17,974
1991	12,478	2,923	2,328	17,729	19,144
1992	12,118	3,696	2,767	18,581	20,358
1993	13,198	4,997	3,600	21,795	23,495
1994	12,118	5,537	3,972	21,627	22,993
1995	13,558	7,288	5,196	26,042	29,053
1996	16,682	10,242	7,228	34,152	36,447
1997	17,518	12,269	8,339	38,126	43,312
1998	14,702	11,900	7,744	34,346	38,462
1999	15,480	14,475	8,939	38,894	47,613
2000	19,663	21,140	12,124	52,927	63,353
2001	16,891	20,305	11,155	48,351	51,319
2002	13,810	17,988	9,938	41,736	45,652

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#### ILLUSTRATION OF AN ASSUMED 15 YEAR INVESTMENT OF \$10,000 (unaudited)

Investment income dividends and capital gains distributions are taken in additional shares. This chart covers the years 1988-2002. Assumes commissions of \$0.05 per share on the initial shares invested. Fees for the reinvestment of dividends are assumed as outlined on page 17. No adjustment has been made for any income taxes payable by stockholders on income dividends or on capital gains distributions or the sale of any shares. These results should not be considered representative of the dividend income or capital gain or loss which may be realized in the future.

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[CHART]

	Market Value of Original Investments	Cumulative Market Value of Shares from Income Dividends	Net Asset Value of Total Shares	Cumulative Market Value of Shares from Capital Gains Distributions
1988	\$10,080	\$11,046	\$13,066	\$10,643
1989	12,960	15,552	17,908	14,359
1990	12,060	15,795	17,974	14,089
1991	12,478	17,729	19,144	15,401
1992	12,118	18,581	20,358	15,814
1993	13,198	21,795	23,495	18,195
1994	12,118	21,627	22,993	17,655
1995	13,558	26,042	29,053	20,846
1996	16,682	34,152	36,447	26,924
1997	17,518	38,126	43,312	29,787
1998	14,702	34,346	38,462	26,602
1999	15,480	38,894	47,613	29,955
2000	19,663	52,927	63,353	40,803
2001	16,891	48,351	51,319	37,196
2002	13,810	41,736	45,652	31,798

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FINANCIAL HIGHLIGHTS

	Year Ended December 31			
	2002	2001	2000	1999
Per Share Operating Performance*				
Net asset value, beginning of year	\$24.90	\$32.69	\$26.32	\$22.87
Net investment income	0.42	0.49	0.37	0.48
Net realized gains and change in unrealized appreciation	(3.20)	(6.81)	7.67	4.67
Total from investment operations	(2.78)	(6.32)	8.04	5.15
Less distributions				
Dividends from net investment income	(0.43)	(0.43)	(0.39)	(0.48)
Distributions from net realized gains	(0.68)	(1.07)	(1.35)	(1.07)
Total distributions	(1.11)	(1.50)	(1.74)	(1.55)
Capital share repurchases	0.01	0.06	0.28	0.01
Reinvestment of distributions	(0.04)	(0.03)	(0.21)	(0.16)

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Total capital share transactions	(0.03)	0.03	0.07	(0.15)
Net asset value, end of year	\$20.98	\$24.90	\$32.69	\$26.32
Per share market price, end of year	\$19.18	\$23.46	\$27.31	\$21.50
Total Investment Return				
Based on market price	(13.7)%	(8.7)%	36.1%	13.3%
Based on net asset value	(11.1)%	(19.0)%	33.1%	23.8%
Ratios/Supplemental Data				
Net assets, end of year (in 000's)	\$451,275	\$526,492	\$688,173	\$565,075
Ratio of expenses to average net assets	0.49%	0.35%	0.59%	0.43%
Ratio of net investment income to average net assets	1.84%	1.67%	1.24%	1.86%
Portfolio turnover	9.69%	6.74%	7.68%	11.89%
Number of shares outstanding at end of year (in 000's)*	21,510	21,148	21,054	21,471

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

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SCHEDULE OF INVESTMENTS

December 31, 2002

	Shares	Value (A)
Stocks and Convertible Securities -- 88.7%		
Energy -- 77.4%		
Internationals -- 26.6%		
BP plc ADR.....	482,000	\$ 19,593,300
ChevronTexaco Corp.....	300,000	19,944,000
Exxon Mobil Corp.....	1,050,000	36,687,000
Royal Dutch Petroleum Co.....	660,000	29,053,200
"Shell" Transport and Trading Co., plc ADR.....	150,000	5,838,000
TotalFinaElf ADR (B).....	125,000	8,937,500
		-----
		120,053,000
		-----
Domestics -- 7.0%		
Amerada Hess Corp.....	50,000	2,752,500
ConocoPhillips.....	140,310	6,789,601
Kerr McGee Corp.....	177,153	7,847,878
Murphy Oil Corp.....	140,000	5,999,000
Unocal Capital Trust \$3.125 Conv. Pfd. (B).....	72,540	3,681,405
Unocal Corp.....	150,000	4,587,000
		-----
		31,657,384
		-----

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Producers -- 13.8%

Anadarko Petroleum Corp. (B).....	250,000	11,975,000
Apache Corp. (B).....	154,000	8,776,460
Devon Energy Corp.....	80,000	3,672,000
EOG Resources, Inc.....	200,000	7,984,000
Noble Energy.....	125,000	4,693,750
Occidental Petroleum Corp.....	175,000	4,978,750
Ocean Energy, Inc.....	550,000	10,983,500
Pioneer Natural Resources Co. (C).....	235,000	5,933,750
Stone Energy Corp. (C).....	104,300	3,479,448
		-----
		62,476,658
		-----

Distributors -- 16.7%

Atmos Energy Corp.....	139,500	3,253,140
Duke Energy Corp. 8.25% Conv. Pfd. due 2004 (B).....	160,000	2,545,600
Duke Energy Corp. (B).....	115,000	2,247,100
El Paso Corp. (B).....	210,000	1,461,600
Energen Corp.....	250,000	7,275,000
Equitable Resources Inc.....	361,000	12,649,440
Keyspan Corp.....	220,000	7,752,800
Kinder Morgan, Inc.....	162,500	6,868,875
MDU Resources Group, Inc.....	200,000	5,162,000
National Fuel Gas Co.....	200,000	4,146,000
New Jersey Resources Corp.....	277,500	8,766,225
Northwestern Corp. (B).....	200,000	1,016,000
Questar Corp. (B).....	268,000	7,455,760
TECO Energy, Inc. (B).....	200,000	3,094,000
Williams Companies, Inc. 9.0% FELINE PACS due 2005 (B)....	120,000	956,400
Williams Companies, Inc.....	200,000	540,000
		-----
		75,189,940
		-----

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SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2002

	Shares	Value (A)
-----		
Services -- 13.3%		
Baker Hughes, Inc.....	110,000	\$ 3,540,900
BJ Services Co. (B) (C).....	400,000	12,924,000
Core Laboratories N.V. (C).....	209,400	2,376,690
GlobalSantaFe Corp. (B).....	200,000	4,864,000
Grant Prideco Inc. (C).....	308,000	3,585,120
Nabors Industries Ltd. (C).....	200,000	7,054,000
Noble Corp. (C).....	135,000	4,745,250
Schlumberger Ltd.....	190,000	7,997,100
Transocean Inc.....	200,000	4,640,000
Weatherford International, Ltd. (B) (C)....	205,000	8,185,650
		-----

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		59,912,710
		-----
Basic Industries -- 11.3%		
Basic Materials & Other -- 8.2%		
Albemarle Corp. (B).....	190,000	5,405,500
Arch Coal Inc. (B).....	210,000	4,533,900
Engelhard Corp.....	124,900	2,791,515
General Electric Co.....	350,000	8,522,500
Ingersoll-Rand Co. Ltd.....	70,000	3,014,200
Philadelphia Suburban Corp.....	305,000	6,283,000
Rohm & Haas Co.....	200,000	6,496,000
		-----
		37,046,615
		-----
Paper and Forest Products -- 3.1%		
Boise Cascade Corp. 7.5% ACES due 2004....	51,000	2,141,490
Boise Cascade Corp.....	205,000	5,170,100
MeadWestvaco Corp. (B).....	60,000	1,482,600
Temple-Inland Inc. (B).....	120,000	5,377,200
		-----
		14,171,390
		-----
Total Stocks and Convertible Securities		
(Cost \$281,785,710) (D).....		400,507,697
		-----

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SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2002

	Prin. Amt.	Value (A)
-----		
Short-Term Investments -- 10.7%		
U.S. Government Obligations -- 2.0%		
U.S. Treasury Bills, 1.04-1.15%, due 2/06/03-2/20/03.....	\$ 9,100,000	\$ 9,086,635
		-----
Certificates of Deposit -- 2.2%		
Mercantile-Safe Deposit & Trust Co., 1.25%, due 3/27/03.....	10,000,000	10,000,000
		-----
Commercial Paper -- 6.5%		
AIG Funding, Inc., 1.26%, due 1/7/03.....	1,000,000	999,790
American General Finance, Inc., 1.32%, due 1/14/03-1/16/03.....	3,450,000	3,448,184
Cargill, Inc., 1.35%, due 1/2/03.....	1,790,000	1,789,933
Coca-Cola Enterprises, Inc., 1.28%, due 1/21/03.....	3,080,000	3,077,810
General Electric Capital Corp., 1.26-1.34%, due 1/16/03-1/30/03..	5,000,000	4,996,902
GMAC MINT, 1.35%, due 1/14/03.....	5,000,000	4,997,563
Kraft Foods Inc., 1.27%, due 1/23/03.....	4,850,000	4,846,236
Wells Fargo Financial, Inc., 1.28-1.29%, due 1/7/03-1/14/03.....	5,000,000	4,998,398
		-----
		29,154,816
		-----



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Total Short-Term Investments	
(Cost \$48,241,451).....	48,241,451
<hr style="border-top: 1px dashed black;"/>	
Total Investments -- 99.4%	
(Cost \$330,027,161).....	448,749,148
Cash, receivables and other assets, less liabilities -- 0.6%.....	2,526,315
<hr style="border-top: 1px dashed black;"/>	
Net Assets -- 100%.....	\$451,275,463

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 are on loan. See Note 7 to Financial Statements.
- (C) Presently non-dividend paying.
- (D) The aggregate market value of stocks held in escrow at December 31, 2002 covering open call option contracts written was \$1,777,875. In addition, the required aggregate market value of securities segregated by the custodian to collateralize open put option contracts written was \$1,175,000.

FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect the 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.

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SCHEDULE OF OUTSTANDING OPTION CONTRACTS

December 31, 2002

Contracts (100 shares each)	Security	Strike Price	Contract Expiration Date	Appreciation/ (Depreciation)
-----------------------------------	----------	-----------------	--------------------------------	---------------------------------

COVERED CALLS

100	Amerada Hess Corp.....	\$75	Jan 03	\$ 16,724
100	Apache Corp.....	65	Jan 03	14,600
425	TECO Energy, Inc.....	20	Feb 03	16,404
---				-----
625				47,728
---				-----

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COLLATERALIZED PUTS					
100	Ingersoll-Rand Co. Ltd.	37.50	Jan	03	7,150
100	Ingersoll-Rand Co. Ltd.	40	Jan	03	7,099
100	Ingersoll-Rand Co. Ltd.	40	Feb	03	(3,357)
---					-----
300					10,892
---					-----
					\$ 58,620
					=====

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 CHANGES IN PORTFOLIO SECURITIES  
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During the Three Months Ended December 31, 2002  
 (unaudited)

	Shares		Held Dec. 31, 2002
	Additions	Reductions	
Albemarle Corp.....	30,000		190,000
Arch Coal Inc.....	20,000		210,000
Baker Hughes, Inc.....	20,000		110,000
Ingersoll-Rand Co. Ltd.....	70,000		70,000
MDU Resources Group, Inc.....	200,000		200,000
Murphy Oil Corp.....	70,000/(1)/	10,000	140,000
Weatherford International, Ltd.	15,000		205,000
Amerada Hess Corp.....		30,000	50,000
El Paso Corp.....		90,000	210,000
Engelhard Corp.....		75,100	124,900
Exxon Mobil Corp.....		110,000	1,050,000
MeadWestvaco Corp.....		90,000	60,000
Royal Dutch Petroleum Co.....		10,000	660,000

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 /(1)/By stock split.

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REPORT OF INDEPENDENT ACCOUNTANTS  
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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 December 31, 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

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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 December 31, 2002 by correspondence with the custodian and brokers provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Baltimore, Maryland  
January 8, 2003

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

Website: [www.peteres.com](http://www.peteres.com)

E-mail: [contact@peteres.com](mailto:contact@peteres.com)

Counsel: Chadbourne & Parke L.L.P.

Independent Accountants: PricewaterhouseCoopers LLP

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

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### SHAREHOLDER INFORMATION AND SERVICES

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WE ARE OFTEN ASKED --

How do I invest in Petroleum & Resources?

Petroleum & Resources Common Stock is listed on the New York Stock Exchange and Pacific Exchange. The stock's ticker symbol is "PEO" and may be bought and sold through registered investment security dealers. Your broker will be able to assist you in this regard. In addition, stock may be purchased through our transfer agent, the Bank of New York's BuyDIRECT Purchase and Sale Plan (see page 17).

Where do I get information on the stock's price, trading and/or net asset value?

The daily net asset value (NAV) per share and closing market price may be obtained from our website at [www.peteres.com](http://www.peteres.com). The daily NAV is also available on the NASDAQ Mutual Fund Quotation System under the symbol XPEOX. The week-ending NAV is published on Saturdays in various newspapers and on Mondays in The Wall Street Journal in a table titled "Closed-End Funds." The table compares the net asset value at the close of the week's last business day to

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the market price of the shares, and shows the amount of the discount or premium.

Petroleum's daily trading is shown in the stock tables of most daily newspapers, usually with the abbreviated form "PetRs." Local newspapers determine, usually by volume of traded shares, which securities to list. If your paper does not carry our listing, please telephone the Corporation at (800)638-2479 or visit our website.

How do I replace a lost certificate(s) or how do I correct a spelling error on my certificate?

Your Petroleum stock certificates are valuable documents and should be kept in a safe place. For tax purposes, keep a record of each certificate, including the cost or market value of the shares it covers at the time acquired. If a certificate is lost, destroyed or stolen, notify the Transfer Agent immediately so a "stop transfer" order can be placed on the records to prevent an unauthorized transfer of your certificate. The necessary forms and requirements to permit the issuance of a replacement certificate will then be sent to you. A certificate can be replaced only after the receipt of an affidavit regarding the loss accompanied by an open penalty bond, for which a small premium is paid by the stockholder.

In the event a certificate is issued with the holder's name incorrectly spelled, a correction can only be made if the certificate is returned to the Transfer Agent with instructions for correcting the error. Transferring shares to another name also requires that the certificate be forwarded to the Transfer Agent with the appropriate assignment forms completed and the signature of the registered owner Medallion guaranteed by a bank or member firm of The New York Stock Exchange, Inc.

Can you send my dividend checks directly to my bank?

Yes, provide the Transfer Agent with your bank's name, your branch's mailing address and your account number at your bank. (Sorry, electronic transfer of funds is not offered at this time.)

Who do I notify of a change of address?

The Transfer Agent.

We go to Florida (Arizona) every winter. How do we get our mail from Petroleum & Resources?

The Transfer Agent can program a seasonal address into its system; simply send the temporary address and the dates you plan to be there to the Transfer Agent.

I want to give shares to my children, grandchildren, etc., as a gift. How do I go about it?

Giving shares of Petroleum is simple and is handled through our Transfer Agent. The stock transfer rules are clear and precise for most forms of transfer. They will vary slightly depending on each transfer, so write to the Transfer Agent stating the exact intent of your gift plans and the Transfer Agent will send you the instructions and forms necessary to effect your transfer.

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SHAREHOLDER INFORMATION AND SERVICES (CONTINUED)

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### 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/SM\*/

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
A one-time fee for new accounts who are not currently registered holders.	
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

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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 this Plan or contact The Bank of New York about the BuyDIRECT Plan.

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The Corporation  
Petroleum & Resources Corporation  
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](http://www.peteres.com)  
E-mail: [contact@peteres.com](mailto:contact@peteres.com)

The Transfer Agent  
The Bank of New York  
Address Shareholder Inquiries to:  
Shareholder Relations Department  
P.O. Box 11258 Church Street Station  
New York, NY 10286  
(866) 723-8330  
Website: [www.stockbny.com](http://www.stockbny.com)  
E-mail: [Shareowner-svcs@bankofny.com](mailto:Shareowner-svcs@bankofny.com)  
Send Certificates for Transfer  
and Address Changes to:  
Receive and Deliver Department  
P.O. Box 11002 Church Street Station  
New York, NY 10286

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

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

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## HISTORICAL FINANCIAL STATISTICS

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	Value of	Shares	Net Asset	Dividends	Distributions
	Net Assets	Outstanding*	Value	From Net	From Net
			Per Share*	Investment	Realized
				Income	Gains
				Per Share*	Per Share*
Dec. 31					

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1988	\$248,370,688	14,996,376	\$16.19	\$1.11	\$1.54
1989	322,866,019	15,576,900	16.56	.61	.80
1990	308,599,851	16,189,934	19.06	.73	.83
1991	314,024,187	16,778,358	18.71	.61	.82
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	556,452,549	20,134,181	27.64	.51	1.04
1998	474,821,118	20,762,063	22.87	.52	1.01
1999	565,075,001	21,471,270	26.32	.48	1.07
2000	688,172,867	21,053,644	32.69	.39	1.35
2001	526,491,798	21,147,563	24.90	.43	1.07
2002	451,275,463	21,510,067	20.98	.43	.68

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

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PETROLEUM & RESOURCES CORPORATION  
PRIVACY POLICY

In order to conduct its business, Petroleum & Resources Corporation 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.

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.

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BOARD OF DIRECTORS  
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Personal Information	Position Held with the Fund	Term of Office	Length of Time Served	Principal Occupations During the Last 5 Years	Number of Portfolios in Fund Complex Overseen by Director	Other
<b>Independent Directors</b>						
Enrique R. Arzac 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 61	Director	One Year	Since 1987	Professor of Finance and Economics, formerly Vice Dean of Academic Affairs of the Graduate School of Business, Columbia University.	Two	Di Ex Su Fu co
Daniel E. Emerson 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 78	Director	One Year	Since 1987	Chairman, The National YMCA Fund Inc. Retired Executive Vice President of NYNEX Corp. (communications), Retired Chairman of The Board of both NYNEX Information Resources Co. and NYNEX Mobile Communications Co. Previously Executive Vice President and Director of New York Telephone Company.	Two	Di Ex (i
Edward J. Kelly, III 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 49	Director	One Year	Since October 2001	President and Chief Executive Officer of Mercantile Bankshares Corporation. Formerly Managing Director with J.P. Morgan Chase & Co. (investment bank and global financial institution).	Two	Di Ex (i Ha Gr Gr (c CS an Tr Un
Thomas H. Lenagh 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 84	Director	One Year	Since 1987	Financial Advisor, Chairman of the Board, Inrad Corp. (crystals). Formerly Chairman of the Board and CEO of Greiner Engineering Inc. (formerly Systems Planning Corp.) (consultants), and Chief Investment Officer of the Ford Foundation (charitable foundation).	Two	Di Co (3 Ex (i
W. D. MacCallan 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 75	Director	One Year	Since 1971	Retired Chairman of the Board and CEO of the Corporation and The Adams Express Company. Formerly consultant to the Corporation and The Adams Express Company.	Two	Di Ex (i
W. Perry Neff 7 St. Paul Street, Suite 1140	Director	One Year	Since 1971	Private Financial Consultant. Retired Executive Vice President of Chemical Bank.	Two	Di Ex (i



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Baltimore, MD 21202

Age 75

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BOARD OF DIRECTORS (CONTINUED)

Personal Information	Position Held with the Fund	Term of Office	Length of Time Served	Principal Occupations During the Last 5 Years	Number of Portfolios in Fund Complex Overseen by Director	Other
Independent Directors (continued)						
Landon Peters 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 72	Director	One Year	Since 1987	Private Investor. Former Investment Manager, YMCA Retirement Fund. Formerly Executive Vice President and Treasurer and prior thereto Senior Vice President and Treasurer of The Bank of New York.	Two	Di Ex (i
John J. Roberts 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 80	Director	One Year	Since 1987	Senior Advisor, formerly Vice-- Chairman External Affairs, American International Group, Inc. (insurance). Formerly Chairman and CEO of American International Underwriters Corporation. Previously President of American International Underwriters Corporation-U.S./ Overseas Operations.	Two	Ho Am Gr Ad (i
Susan C. Schwab 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 47	Director	One Year	Since 2000	Dean of the School of Public Affairs at the University of Maryland, College Park. Formerly Director of Corporate Business Development at Motorola, Inc. (electronics).	Two	Di Ex (i Ca
Robert J. M. Wilson 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 82	Director	One Year	Since 1975	Retired President of the Corporation and retired President of The Adams Express Company.	Two	Di Ex (i

Interested Director

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Douglas G. Ober 7 St. Paul Street, Suite 1140 Baltimore, MD 21202 Age 56	Director, Chairman and CEO	One Year	Director Since 1989; Chairman of the Board Since 1991	Chairman & CEO of the Corporation and The Adams Express Company.	Two	Di Ex (i
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PETROLEUM & RESOURCES CORPORATION

Board Of Directors

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

-----  
 /(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	Chairman and Chief Executive Officer
Richard F. Koloski	President
Joseph M. Truta	Executive Vice President
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