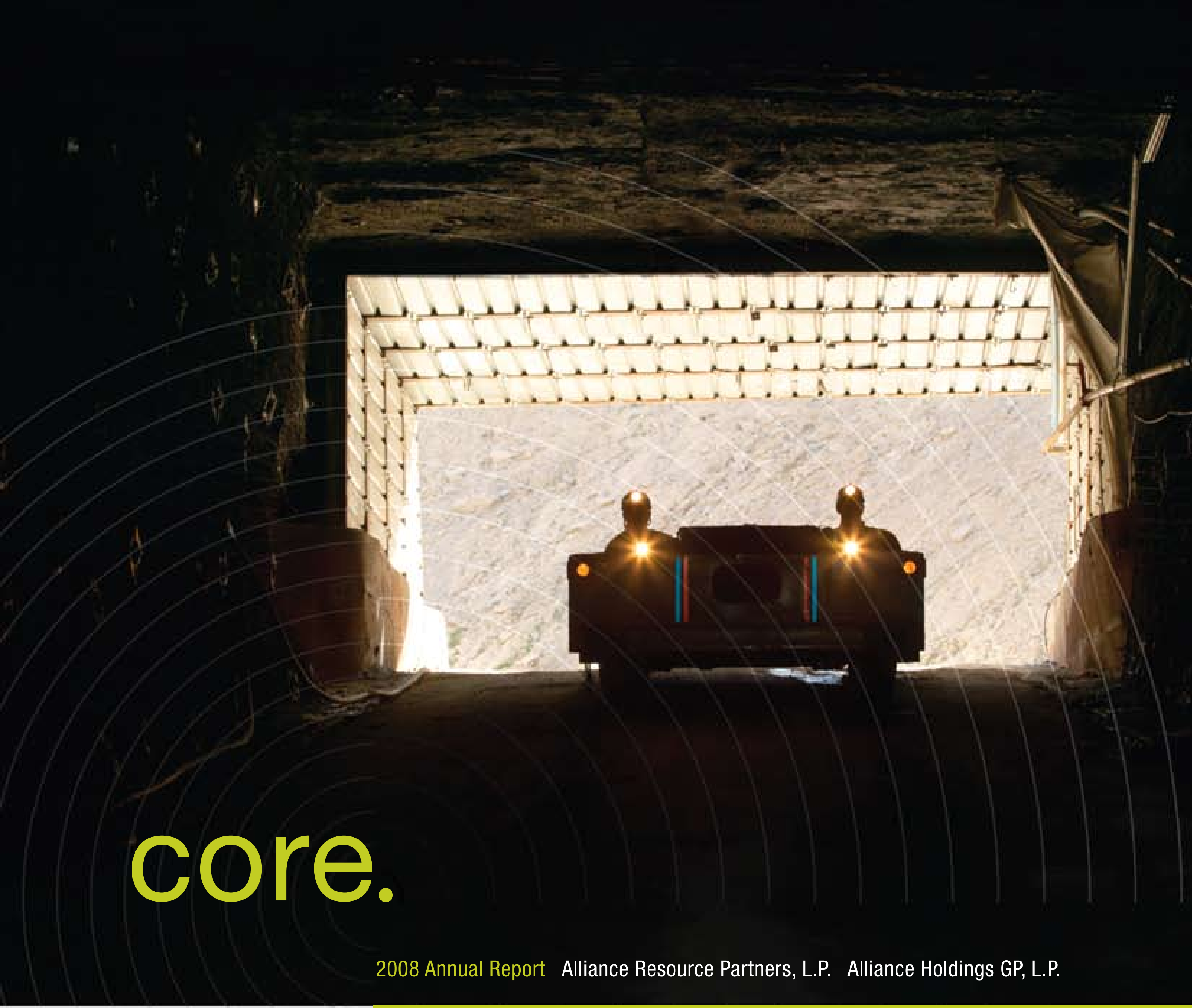


core.

2008 Annual Report Alliance Resource Partners, L.P. Alliance Holdings GP, L.P.

Alliance Resource Partners, L.P. (ARLP) and Alliance Holdings GP, L.P. (AHGP) are master limited partnerships. Both are publicly traded on the NASDAQ Global Select Market.

ARLP

- Delivered over 27 million tons of coal to customers in 2008
- Has grown to be the fifth largest coal producer in the eastern U.S.
- Operates in the Illinois Basin, Central Appalachia and Northern Appalachia regions
- Eight underground mining complexes currently in operation and two new complexes under construction
- Grows through organic development projects and strategic acquisitions
- Markets coal to major U.S. utilities and industrial users
- Has significant percent of sales tonnage dedicated to long-term contracts
- Exceeds $1 billion in total assets and total revenues
- Employs over 3,000

AHGP

- Owns and controls the managing general partner of ARLP
- Holds a 1.98 percent general partner interest and 100 percent of the incentive distribution rights in ARLP
- Owns 42 percent of ARLP's common units

2008 was another record year for ARLP. For the eighth consecutive year, new records were set for coal sales, production volumes, revenues and EBITDA*.

Cash distributions to ARLP unitholders increased 22.2 percent during 2008 to an annualized rate of $2.86 per unit, while AHGP's increased 40 percent to an annualized rate of $1.61 per unit.

** After normalizing EBITDA for the non-recurring synfuel benefits realized in 2007. EBITDA is defined as net income before income taxes, minority interest, net interest expense and depreciation, depletion and amortization. See GAAP and non-GAAP reconciliation information on the inside back cover.*

CORE
coal.

Coal generates half of the electricity used daily in the U.S., and it is the nation's most abundant low-cost fuel source. Worldwide desire for coal is also strong: the International Energy Agency projects that by 2030 global demand will increase more than 70 percent.

With eight consecutive years of record-breaking results just completed, Alliance Resource Partners (ARLP) is focused on tomorrow. Coal remains America's most cost-effective and reliable fuel source: it comprises 95 percent of the United States' energy reserves and an estimated 200-plus year supply of this critical natural resource is available.

As economic recovery efforts continue, there is renewed focus on energy development and innovation. While much of this focus is directed toward renewable, alternative sources of energy, we believe the reality is that America will need to fully utilize all available energy resources if our economy is to be competitive and prosperous in the future – and coal must continue to play a key role.

The importance of coal to worldwide economic growth is clearly evident. There are 28 new U.S. coal-fired power plants currently under construction capable of generating a combined 26 gigawatts of electricity. Countries around the globe are building coal plants to generate an additional 150 gigawatts of electric power. Coal continues to be the fastest growing fuel source to meet the world's electricity needs. Increased funding and resources to support clean-coal initiatives and emerging BTU conversion programs will only serve to enhance the importance of coal in the future.

Coal resources are tightly woven throughout the fabric of our nation's great history. America's energy future is filled with potential, and coal is at its very core.

CORE
operations.

Operations in all major U.S. eastern coalfields provide Alliance Resource Partners the flexibility to produce and supply by rail, truck and barge various qualities of coal that meet our customers' diverse requirements.

We control more than 686 million tons of marketable reserves, including low-, medium- and high-sulfur coal, and currently operate eight underground mining complexes with two more under construction.

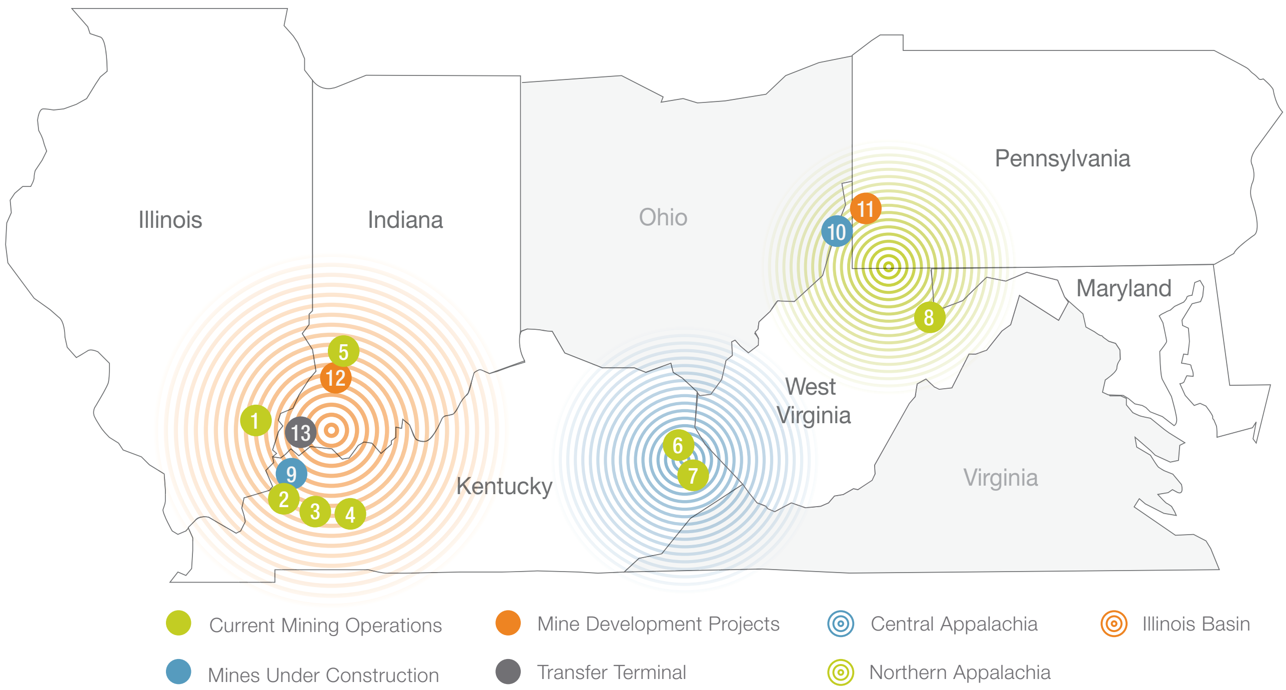
During 2008, our mines produced a record 26.4 million tons of coal, up 8.9 percent over the previous 2007 record. ARLP's total 2008 sales, primarily to utilities and industrial customers, also hit a new high: volumes totaled 27.2 million tons, up 9.9 percent when compared with 2007.

Strength in the coal markets throughout much of 2008 enabled ARLP to secure substantial commitments for coal sales to our customers for delivery terms of up to 10 years at prices significantly above historical levels. We believe these long-term commitments position us to continue delivering solid results in the future by providing stability to our revenues and reducing volatility through market cycles. Our contract portfolio also gives us means to maximize the productivity and efficiency of our operations, as well as a strong foundation for future production, earnings and cash flow growth.

Two years ago, demand for scrubber-quality coal began to dramatically increase. In response, ARLP expanded its western Kentucky operations which continued into 2008 with the addition of a fifth continuous mining unit and new coal preparation plant at our Warrior Complex. Both became operational in early 2009.

During 2008 we also committed to construct two new mining complexes, River View and Tunnel Ridge, to further enhance ARLP's strategic presence in the expanding high-sulfur coal market. Consistent with our disciplined approach, both of these projects are supported by coal sales agreements with customers that have indicated a need for the production from these two mines to meet their long-term requirements. In addition, development activities are ongoing for the Gibson South and Penn Ridge mine projects; however, timing for the construction of these two facilities has been delayed by the downturn in the economy.

COAL MINING COMPLEXES



Current Mining Operations

1 Pattiki Complex
2 Dotiki Complex
3 Warrior Complex
4 Hopkins Complex
5 Gibson Complex
6 Pontiki Complex
7 MC Mining Complex
8 Mettiki Complex

Mines Under Construction

9 River View Complex
10 Tunnel Ridge Complex

Mine Development Projects

11 Penn Ridge Complex
12 Gibson South Complex

Transfer Terminal

13 Mount Vernon Transfer Terminal

MINES UNDER CONSTRUCTION

River View – estimated 105 million tons of high-sulfur coal reserves. This underground mining complex is scheduled to come online during the second half of 2009. We plan to develop this mine for up to eight continuous mining units with an annual production capacity of approximately 6.4 million tons. At full capacity, River View will employ more than 600 people.

Tunnel Ridge – estimated 71 million tons of high-sulfur coal reserves. ARLP has secured sales commitments for 30 million tons over 10 years to support the opening of this underground longwall mining complex in late 2010. Tunnel Ridge will be capable of annually producing up to 6 million tons of coal at full capacity and employ more than 230 people.

MINE DEVELOPMENT PROJECTS

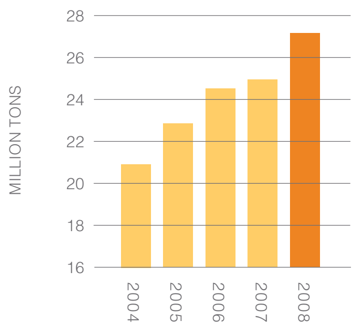
Gibson South – estimated 83 million tons of medium-sulfur coal reserves.

Penn Ridge – estimated 57 million tons of high-sulfur coal reserves.

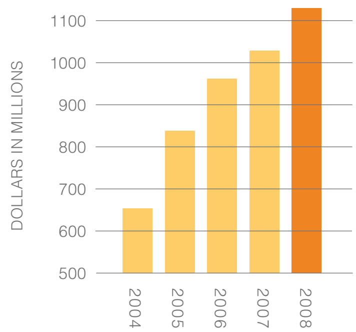
Visit our Web site for details and updates about ARLP's operations:

www.arlp.com/operations/mines.htm

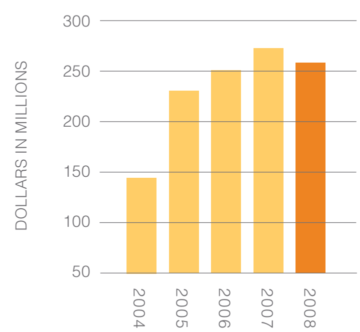
COAL TONS SOLD
2004-2008



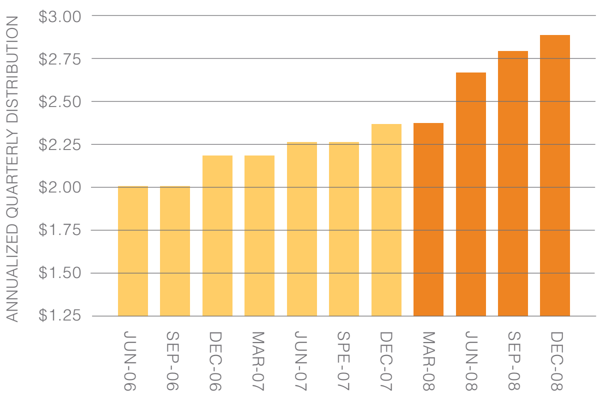
REVENUES
2004-2008



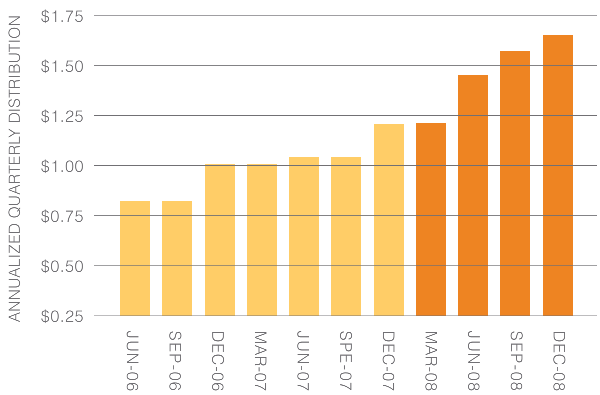
EBITDA*
2004-2008



ARLP DISTRIBUTION GROWTH
2006-20008



AHGP DISTRIBUTION GROWTH
2006-2008



FUTURE SUSTAINABILITY

It is ARLP's goal to increase production by 10 percent annually over the long term. This benchmark is important because it establishes the groundwork for strong financial results in the future for our partnership.

Is this production growth attainable? We believe many of the components are in place to make this goal a reality:

- ARLP currently has over 686 million tons of reportable coal reserves, and an additional 150 million tons of coal deposits that are under control near our existing reserve bases;
- Our new mines under construction at Tunnel Ridge and River View will, at full capacity, add over 12 million tons of annual coal production to meet existing customer demand; and
- Expansion projects at Gibson South and Penn Ridge have been identified to meet anticipated customer requirements for the future.

With access to significant coal reserves and resources and clear visibility to future growth, we are focused on realizing our goals of increasing production and creating sustainable, capital-efficient growth in cash flow which, in turn, will maximize distributions for ARLP and AHGP unitholders.

CORE
results.

Record results during 2008 reflect our employees' focus and dedication to improve operational efficiency and fulfill our customers' needs. That core commitment to excellence continues and translates into strong performance for our unitholders.

Alliance Resource Partners' operating results during 2008 set the foundation once again for recording-setting EBITDA* – up 9.4 percent after being normalized for non-recurring synfuel benefits that expired in 2007. Additionally, our coal sales in 2008 exceeded $1 billion for the first time in our history. Record-breaking coal sales volumes and coal prices pushed revenues up 11.9 percent when compared with the previous year.

ARLP's long-stated goal is to provide unitholders one of the highest distribution growth rates in the master limited partnership investment sector. We were able to achieve that goal in 2008 while continuing to maintain one of the strongest distribution coverage ratios in the MLP sector. Distribution increases are intended to be sustainable for the long term and are the product of significant review, stress testing and diligence by ARLP's management and Board of Directors. ARLP has increased quarterly distributions per limited partnership unit by 43 percent since June 2006, and Alliance Holdings (AHGP) has increased quarterly distributions 87 percent during the same time frame. We are optimistic that future coal prices and increased coal production will allow us to continue meeting this goal.

During 2008, we also enhanced our liquidity by completing a $350 million private placement of seven-year and ten-year Senior Notes while maintaining our existing $150 million revolving credit facility that expires in 2012. As we enter 2009, our strong balance sheet, solid internal cash flow and ample liquidity provide ARLP an excellent platform for continuing success.

** EBITDA is defined as net income before income taxes, minority interest, net interest expense and depreciation, depletion and amortization. See GAAP and non-GAAP reconciliation information on the inside back cover.*

CORE

employees.

Employees are the backbone of Alliance Resource Partners' success. ARLP's employees – 3,000 strong and growing – take great pride in the role they play in fueling America.

ARLP strives to be the "Employer of Choice" at each of our operational locations, all union free, by stressing three core values for employees: safety, quality of life and job security. Our typical employee is a team player who has invested at least a dozen years of service with ARLP. And as we grow our business and look to the future, we are recruiting and training the next generation of miners. More than 350 employees were added to our ranks in 2008 and, as development of our new River View and Tunnel Ridge complexes continues, ARLP expects to create another 650 jobs by the end of 2010.

ARLP promotes a culture of safety, and zero accidents is our goal. While we have not yet achieved that target, our programs are reaping positive results and recognition. During 2008, the Holmes Safety Association recognized seven of our operations with Excellence in Safety awards. Our West Virginia operations won the Mountaineer Guardian Award and the Sentinels of Safety Award. The ARLP mine rescue program has distinguished itself as one of the elite programs across the United States by taking top honors in multiple state mine rescue competitions. ARLP currently maintains nine highly trained mine rescue teams, and each team member exceeds the annual Mine Safety & Health Administration (MSHA) minimum training requirements by more than 50 percent. Collectively, our teams participated in 43 MSHA sanctioned mine rescue, bench and first aid competitions during 2008 and were evaluated against stringent National Rules.

Our employees are encouraged to embrace a daily attitude of "being the best that we can be." ARLP supports this culture by providing employees highly competitive and specialized compensation and benefits plans, as well as the leading-edge tools needed to work efficiently and effectively while on the job. We also support life-enhancement opportunities through educational initiatives, employee education reimbursement, matching gift programs and a generous profit sharing and savings plan. During 2008, ARLP's benefit plan was named a top 10 percent active employee benefit plan by Cammock's Inc., an independent coal industry benefit survey organization. We also were honored as 2008 Business of the Year in Hopkins County, Kentucky, based on Alliance's growth and contributions to the community.

ARLP is proud of our employee-wellness focus and the life changes resulting from it. In 2008, the program won the South West Benefits Association's Best Health Care Solution award. The program's components include, among other items, free on-site visits at our seven staffed health clinics, access to clinic physicians and nurses, tele-medicine consultations, free over-the-counter medications, and programs designed to reduce cardiovascular disease.

Our employees understand the importance of ongoing process improvements, compliance assurance, safety, accountability and pollution prevention. Results oriented, they enable ARLP to create value for our customers. And they do so everyday.

CORE LEADERS

Our officers represent more than 150 years of coal industry experience.

ARLP Officers

Joseph W. Craft III †
President, Chief Executive Officer

Robert G. Sachse
Executive Vice President – Marketing

Charles R. Wesley
Executive Vice President

Brian L. Cantrell †
Senior Vice President
and Chief Financial Officer

R. Eberley Davis †
Senior Vice President,
General Counsel and Secretary

Thomas M. Wynne
Senior Vice President and
Chief Operating Officer

ARLP Directors

Joseph W. Craft III
Charles R. Wesley
Michael J. Hall
John P. Neafsey ‡
John H. Robinson
Wilson M. (Mack) Torrence

AHGP Directors

Joseph W. Craft III ‡
Thomas M. Davidson Sr.
Robert J. Druten
Michael J. Hall

† Also AHGP officer

‡ Chairman of the Board

Core strategies in place since Alliance Resource Partners' inception have stimulated growth, fostered industry respect and resulted in the partnership's position as the fifth largest coal producer in the eastern United States.

We believe our successes and marketing strategies during 2008 positioned our partnership to continue on its record-breaking path in 2009-2010. Strong coal markets throughout much of 2008 allowed ARLP to commit substantial future production under long-term contracts at attractive price levels. As the economy continues to recover, these contracts should allow us to achieve considerable growth over the next several years. Moreover, existing coal supply contracts and ongoing discussions with our customers validate that ARLP's River View and Tunnel Ridge expansion projects are needed to meet market demand over the long term.

In 2009 and beyond, we will stay true to our long-term growth agenda by:

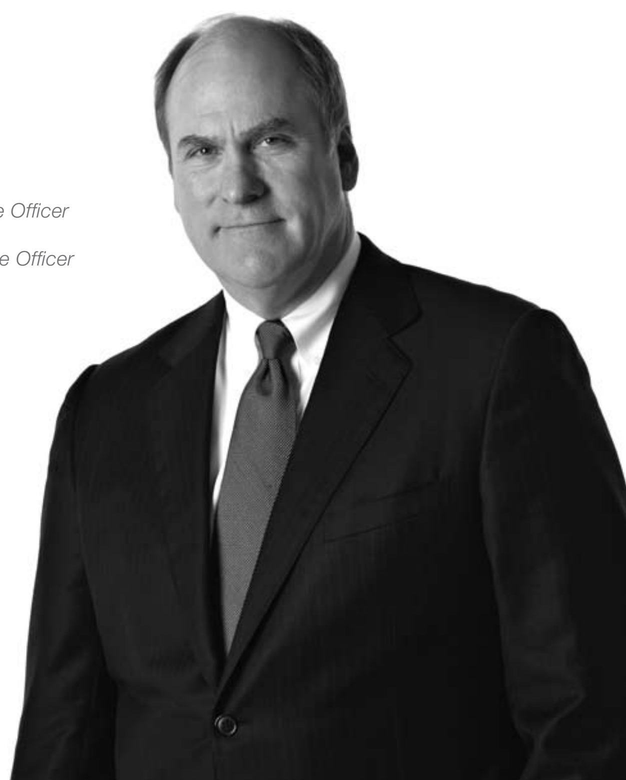
- Continuing to be a disciplined producer, with project development tied to sales commitments;
- Maintaining continuous focus on safety and operational optimization; and
- Pursuing opportunistic acquisitions that bring meaningful value to our unitholders.

Looking ahead, our faith remains strong that America's courage and innovation will again drive the engines of economic growth – economic growth that is ultimately fueled by abundant, reliable, low-cost energy. ARLP is confident that coal will continue to play a major role in future economic growth and prosperity, both domestically and worldwide.

As coal continues to play a key role in America's quest for energy independence, we are undeterred in our efforts to strengthen ARLP's industry position and remain committed to our customers, to our partners and to our industry. The dedication of our employees, our relationships with customers and the confidence of our unitholders provide Alliance Resource Partners and Alliance Holdings GP momentum and purpose. Thanks to each of you.

Joseph W. Craft III
ARLP President, Chief Executive Officer and Director
AHGP President, Chief Executive Officer and Chairman of the Board

March 16, 2009



Reconciliation Of GAAP "Cash Flows Provided By Operating Activities" To Non-GAAP "EBITDA"
Reconciliation Of Non-GAAP "EBITDA" To GAAP "Net Income"

Year Ended December 31 (in thousands)	2008	2007	2006	2005	2004
Cash flows provided by operating activities	$ 261,041	$ 244,012	$ 250,923	$ 193,618	$ 145,055
Non-cash compensation expense	(3,931)	(3,925)	(4,112)	(8,193)	(20,320)
Asset retirement obligations	(2,827)	(2,419)	(2,101)	(1,918)	(1,622)
Coal inventory adjustment to market	(452)	(21)	(319)	(573)	(488)
Net gain (loss) on sale of property, plant and equipment	911	3,189	1,188	(179)	332
Gain on sale of coal reserves	5,159	-	-	-	-
Gain from insurance recoveries for property damage	-	2,357	-	-	-
Gain from insurance settlement proceeds received in a prior period	-	5,088	-	-	-
Loss on retirement of damaged vertical belt equipment	-	-	-	(1,298)	-
Other	(366)	(811)	(1,119)	(580)	(587)
Net effect of working capital changes	(19,661)	7,898	(5,317)	34,770	7,915
Interest expense, net	18,418	9,952	9,175	11,816	14,963
Income tax expense (benefit)	(480)	1,669	2,443	2,682	2,641
EBITDA	257,812	266,989	250,761	230,145	147,889
Depreciation, depletion and amortization	(105,278)	(85,310)	(66,489)	(55,637)	(53,664)
Interest expense, net	(18,418)	(9,952)	(9,175)	(11,816)	(14,963)
Income tax (expense) benefit	480	(1,669)	(2,443)	(2,682)	(2,641)
Cumulative effect of accounting change	-	-	112	-	-
Minority interest (expense)	(420)	332	161	-	-
Net income	$ 134,176	$ 170,390	$ 172,927	$ 160,010	$ 76,621

EBITDA is defined as net income before net interest expense, income taxes, depreciation, depletion and amortization and minority interest. EBITDA is used as a supplemental financial measure by our management and by external users of our financial statements such as investors, commercial banks, research analysts and others to assess: the financial performance of our assets without regard to financing methods, capital structure or historical cost basis; the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness; our operating performance and return on investment as compared to those of other companies in the coal energy sector, without regard to financing or capital structures; and the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

EBITDA should not be considered as an alternative to net income, income from operations, cash flows from operating activities or any other measure of financial performance presented in accordance with generally accepted accounting principles. EBITDA is not intended to represent cash flow and does not represent the measure of cash available for distribution. Our method of computing EBITDA may not be the same method used to compute similar measures reported by other companies, or EBITDA may be computed differently by us in different contexts (i.e. public reporting versus computation under financing agreements).

EBITDA in 2008 was a record after normalizing 2007 EBITDA for $31.325 million of nonrecurring synfuel benefits that expired in 2007.

Forward Looking Statements

This Annual Report contains forward-looking statements and information that are based on the beliefs of Alliance Resource Partners, L.P. and Alliance Holdings GP, L.P. (the "Partnerships") and those of their respective general partners (the "General Partners"), as well as assumptions made by and information currently available to them. When used in this Annual Report, words such as "anticipate," "project," "expect," "plan," "goal," "forecast," "intend," "could," "believe," "may," and similar expressions and statements regarding the plans and objectives of the Partnerships for future operations, are intended to identify forward-looking statements.

Although the Partnerships and their General Partners believe that such expectations reflected in such forward-looking statements are reasonable at the time such statements are made, neither the Partnerships nor the General Partners can give assurances that such expectations will prove to be correct. Such statements are subject to a variety of risks, uncertainties and assumptions. For a description of such risks and uncertainties, please see the forward-looking statements included in the Annual Reports on Form 10-K for Alliance Resource Partners, L.P. and Alliance Holdings GP, L.P. which are available by request or can be viewed on the partnerships' respective Web sites. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, actual results may vary materially from those the Partnerships anticipated, estimated, projected or expected.

The Partnerships have no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Unitholder Information

The following information applies to Alliance Resource Partners, L.P. and Alliance Holdings GP, L.P. unless specified otherwise.

Business Structure

Publicly traded master limited partnership.

Common Unit Trading

Common units are traded on the NASDAQ Global Select Market.
NASDAQ Ticker Symbols
Alliance Resource Partners, L.P. ARLP
Alliance Holdings GP, L.P. AHGP
Common Units Outstanding (12/31/2008)
ARLP 36,613,458 common units
AHGP 59,863,000 common units

Cash Distributions

The partnerships expect to make quarterly distributions to unitholders of record on the applicable record dates according to the following schedules:

Alliance Resource Partners, L.P.
Within 45 days after the end of each March, June, September and December.

Alliance Holdings GP, L.P.
Within 50 days after the end of each March, June, September and December.

Partnership Tax Details

Unitholders are partners in the partnership and receive quarterly cash distributions. Cash distributions generally are not taxable as long as the individual unitholder's tax basis remains above zero.

A partnership generally is not subject to federal or state income tax. The annual income, gains, losses, deductions or credits of the partnership flow through to the unitholders, who are required to report their allocated share of these amounts on their individual tax returns, as though the unitholder had incurred these items directly.

Schedule K-1

Unitholders of record receive Schedule K-1 packages that summarize their allocated share of the partnership's reportable tax items for the fiscal year. It is important to note that cash distributions received should not be reported as taxable income. Only the amounts provided on the Schedule K-1 should be entered on each unitholder's tax return.

Schedule K-1 information is also available on our Web sites. Please visit ***www.arlp.com*** and ***www.ahgp.com***.

Unitholder's should refer questions regarding their Schedule K-1 as follows:

By Mail
K-1 Support
P.O. Box 799060
Dallas, TX 75379-9060

By Phone / Fax
Alliance Resource Partners, L.P.
phone (800) 485-6875 fax (866) 554-3842
Alliance Holdings GP, L.P.
phone (866) 867-4060 fax (866) 554-3842

TRANSFER AGENT AND REGISTRAR

Direct requests regarding transfer of units, lost certificates, lost distribution checks or address changes to:
American Stock Transfer and Trust Company
Attn: Shareholder Services
59 Maiden Lane – Plaza Level
New York, NY 10038
(800) 937-5449

Independent Auditors

Deloitte & Touche LLP
Two Warren Place
6120 South Yale Avenue, Suite 1700
Tulsa, OK 74136

Partnership Offices

1717 South Boulder Avenue, Suite 400
Tulsa, OK 74119
(918) 295-7600

Partnership Mailing Address

P.O. Box 22027
Tulsa, OK 74121-2027

Contact

Brian L. Cantrell
Senior Vice President and Chief Financial Officer
(918) 295-7674
brian.cantrell@arlp.com

Investor Information and Form 10-K

For additional information or to receive a free copy of the 2008 Form 10-K, please contact the appropriate e-mail address or phone number listed below. Form 10-K also may be downloaded from the partnerships' Web sites.

Alliance Resource Partners, L.P.
E-mail: investorrelations@arlp.com
Phone: (918) 295-7674
Web site ***www.arlp.com***

Alliance Holdings GP, L.P.
E-mail: investorrelations@ahgp.com
Phone: (918) 295-1415
Web site ***www.ahgp.com***

www.arlp.com | www.ahgp.com

ALLIANCE RESOURCE PARTNERS, L.P.

ALLIANCE HOLDINGS GP, L.P.

P.O. Box 22027, Tulsa, Oklahoma 74121-2027