Alliance Resource Partners, L.P. | Alliance Holdings GP, L.P.

STRENGTH IN NUMBERS

2010 ANNUAL REPORT

Why Alliance?

S&P* RANKS ALLIANCE IN THE TOP ONE HALF OF ONE PERCENT

FOR TOTAL RETURN TO UNITHOLDERS OVER THE LAST 10 YEARS

Standard & Poor's Capital IQ, November 12, 2010 ranking of 7,500 companies.


HCC
HCC
ELK CREEK MINE
RONNY

Alliance Mirrors Success.

Record-breaking financials ten years straight makes Alliance Resource Partners, L.P. (ARLP) an investment story worth sharing.

Steady and strong, ARLP has carefully advanced its mission since 1999 when our partnership formed. In ten short years, we've built upon our original coal mining operations, adding mining units and facilities and transforming our partnership into an industry leader. Today, ARLP is the fourth-largest coal producer in the eastern United States and the tenth-largest in the nation.

Many things motivate us, but topping the list is our role in supplying a low-cost energy source critical to the American way of life and economic growth. ARLP is a diversified producer and marketer of coal to major utilities and industrial users primarily in the United States. We also export about five percent of our annual coal sales around the world.

ARLP has 697 million tons of proven and probable coal reserves and we operate a total of nine mining complexes in the Illinois Basin, Northern Appalachian and Central Appalachian coal-producing regions. Tunnel Ridge, our tenth complex, is currently under construction and expected to start longwall production in early 2012. ARLP also manages a coal loading terminal on the Ohio River.

We believe our culture of credibility and excellence allows every member of the ARLP family to contribute to our partnership's success. Employees epitomized that philosophy in 2010 by realizing a lost-time accident rate that was one-third below the industry average and the lowest rate in our partnership's history. We also set new benchmarks for production, sales volumes, revenues, EBITDA and net income.

The first publicly traded master limited partnership in our industry peer group, ARLP has provided unitholders a 31 percent compounded annual return over the past decade. The power of our strength in numbers continues to unfold.

Strong Financials Provide Operating Strength.

ARLP's healthy balance sheet reflects conservative leverage and ample liquidity.

As opportunities and challenges merged during 2010, ultimately the framework materialized to achieve the best financial results our partnership has ever recorded.

Our marketing team's strategy strengthened ARLP's long-term domestic coal sales position and also moved more coal into export markets. The team's efforts reduced our coal inventory, increased the average year-over-year coal sales price by 9.9 percent to $51.21 per ton and bumped sales volume 21.3 percent to a record 30.3 million tons.

On the production side of our business, ARLP's operating groups delivered the highest output in our partnership's history. They successfully expanded the River View complex, which began production in 2009, to eight continuous mining units. River View's 600 employees are now able to produce 7 million tons of high-sulfur coal per year. Our Pattiki Mine was idled for eight weeks during 2010 due to a vertical hoist conveyor system failure. During that period as the mine was phased back to full capacity, other ARLP operations accelerated their coal production to help overcome this challenge.

These actions and others pushed revenues, EBITDA* and net income to all-time ARLP highs. A comparison of our 2010 results with those in 2009 shows:

Revenues	+30.8 percent to $1.6 billion
EBITDA	+46.7 percent to $499.5 million
Net income	+67.1 percent to $321.0 million

In addition, our net income per basic and diluted limited partner unit increased 87.6 percent to $6.68.

Achievements like these allow ARLP to share even more success with unitholders. The fourth quarter of 2010 was the eleventh consecutive quarter that ARLP's Board of Directors increased unitholders' cash distribution and it did so while maintaining one of the highest distribution coverage ratios in the master limited partnership sector.

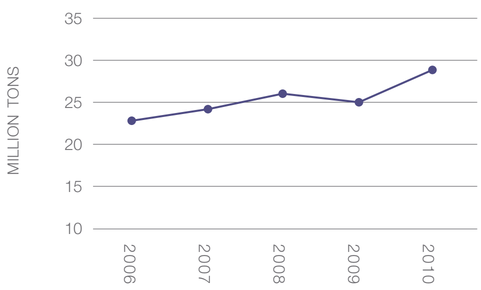
ARLP is committed to ensuring that sophisticated safety technology is part of all existing facilities and expansion projects. This includes making investments in advanced communications and tracking technology and sophisticated ventilation systems. During 2010, we dedicated $289.9 million in capital expenditure funds primarily for our River View Mine expansion and Tunnel Ridge development, as well as for maintenance projects totaling approximately $90.5 million.

We completed a $300 million bank term loan at the end of 2010, taking advantage of attractive debt markets. The financing increased our liquidity, strengthened our balance sheet and enhanced our ability to pursue new growth opportunities.

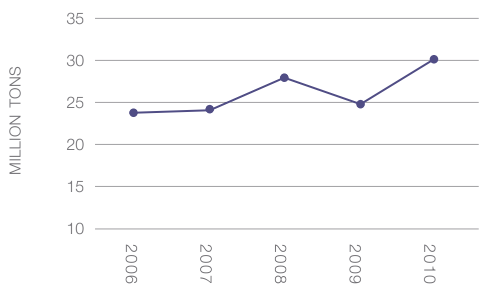
These are more than numbers. They demonstrate the fundamental achievements that allow us to push forward with continued excellence in 2011 and beyond.

** Please see the inside back cover for a definition of EBITDA and GAAP to non-GAAP reconciliation information.*

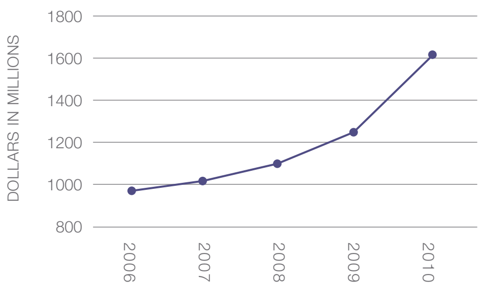
ARLP Coal - Tons Produced
2006-2010



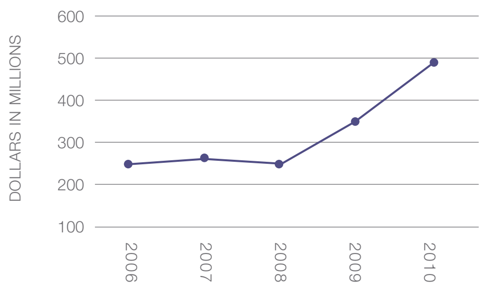
ARLP Coal - Tons Sold
2006-2010



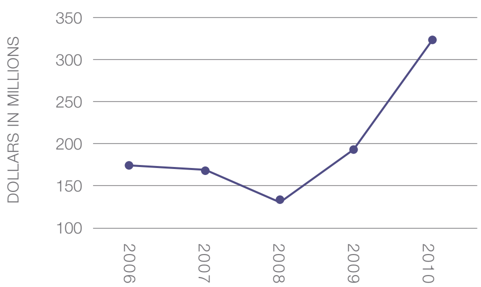
ARLP Revenues
2006-2010



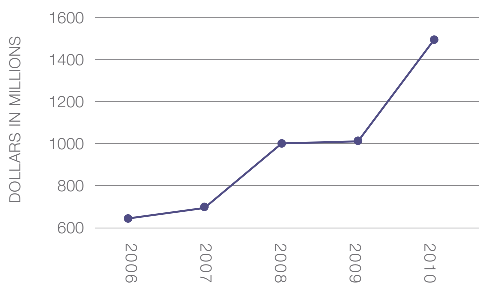
ARLP EBITDA
2006-2010



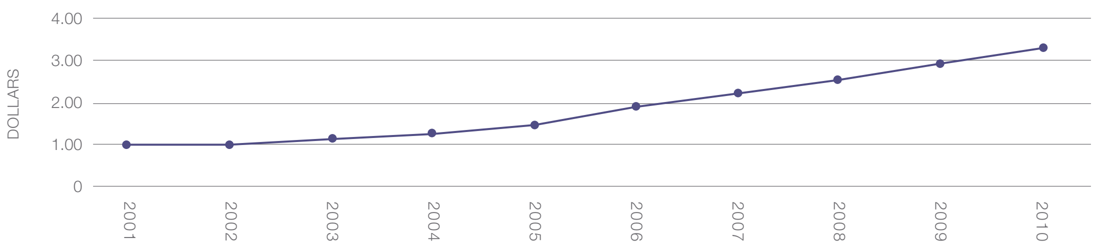
ARLP Net Income
2006-2010



Total Assets
2006-2010



ARLP Distributions Paid
2001-2010



Why Coal?

THE U.S. HAS A DEMONSTRATED
COAL RESERVE BASE
TOTALING
486 BILLION TONS

AND THE NATION PRODUCES ABOUT
1 BILLION TONS
OF COAL EACH YEAR

OF ALL COAL CONSUMED IN THE U.S.,
94% GENERATES ELECTRICITY

ALMOST **HALF** OF AMERICA'S ELECTRICITY IS TRADITIONALLY GENERATED BY COAL.

Recoverable coal reserves in the United States exceed that of any other country and represent more than one-quarter of the world's total coal reserves. Half of the coal produced by ARLP alone each year generates the same amount of power created annually by all of the nation's available wind energy.

Powered Up. Lights On.

Coal is by far the most abundant fossil fuel in the United States for electricity generation.

Life takes on new possibilities every single day with the flip of a switch. Electric utilities (like those with whom ARLP has significant long-term coal supply agreements) power homes, businesses, hospitals, schools and industries. Electricity is core to America's prosperity, jobs, technology, education, comfort and entertainment.

The coal supply in the U.S. exceeds that of any other fossil fuel. The nation's recoverable coal reserves pack the energy equivalent of one trillion barrels of oil. That amount of energy is roughly equal to the entire world's known oil reserves.

The U.S. depends on approximately 600 coal-fired plants for power. These facilities are projected to remain the backbone of the nation's electricity generation for years to come. Between now and 2035, 21 gigawatts of new generation are expected to be added, increasing the U.S. total of coal-fired generating capacity to 330 gigawatts.

The coal and electric industries, in conjunction with government agencies, work diligently to reduce emissions associated with coal consumption. Power plant scrubber equipment, catalytic converters and electrostatic precipitators are examples of enhanced technology employed by utilities to burn coal more efficiently and cleanly than ever before. The efforts have been successful: Emissions of major pollutants from coal-fueled power plants have been reduced by 84 percent per unit of electricity generated since 1970. Meanwhile, demand for coal to generate electricity has nearly doubled during this time. Without a doubt, coal is an increasingly clean and integral part of America's energy future.

Why Now?

2011 OPPORTUNITIES AND STRATEGIES SUPPORT ARLP'S GUIDANCE

OF INCREASING EBITDA BETWEEN 9% & 17%

AND INCREASING NET INCOME BETWEEN 7.5% & 20%

Production Growth + Sales Growth = Success.

We entered 2011 with about 95 percent of ARLP's estimated production committed and priced and with solid contracts booked for 2012 and beyond.

A legacy of record-setting achievements provides ARLP the necessary commitment to reach even higher. This is a challenge we accept with enthusiasm, supported by calculated planning: Coal sales on the books for 2011 have grown to between 32.0 million tons and 33.0 million tons, with all but about 5 percent under contract and priced. To meet this robust need, production has been ramped up to deliver between 31.6 million tons and 32.6 million tons of coal. Our completed River View complex expansion is a critical key to delivering this increased tonnage.

The momentum will continue when our new Tunnel Ridge complex starts its longwall production in early 2012. Located in the Northern Appalachian coal region, Tunnel Ridge holds 97 million tons of high-sulfur Pittsburg No. 8 coal. When the mine is at full production capacity, a team of 340 employees will produce approximately 5.5 million tons to 6 million tons a year.

Gibson South is an ARLP expansion project that is in the permitting process. Located near Princeton, Indiana, Gibson South has about 48 million tons of medium-sulfur coal and production capacity of about 3.0 million tons to 3.5 million tons per year. Our goal is to bring Gibson South online sometime during 2014.

ARLP's other development projects remain on the horizon. Penn Ridge, located in Washington County, Pennsylvania, has an estimated 57 million tons of high-sulfur coal reserves. Sebree, located in Western Kentucky, has an estimated 24 million tons of high-sulfur coal reserves.

The flexibility and willingness to shift resources when and where needed allow ARLP to meet customer expectations with exceptional service.

Disciplined Planning. Excellent Results.

2011 is on pace to extend ARLP's bottom line performance streak for another year.

Responsible management is ARLP's foundation for success. We understand the importance electricity plays in advanced society and remain impressed with our customers' ability to consistently deliver reliable, low-cost power to consumers. We respect and value our employees, as they are responsible for ARLP's achievements. We appreciate the support of our partners and unitholders and we are committed to continue providing them the solid returns they expect from us.

Emerging economies, led by China and India, are reshaping the global energy landscape. These countries are relying heavily on coal to fuel their economic growth and in turn, improve the quality of life for their people. As worldwide demand continues to increase, the U.S. coal industry is benefitting from sales to higher-priced export markets. If export demand grows as it did in 2010, forward pricing dynamics will continue to flourish.

ARLP is actively participating in the export market – moving about 1.0 million tons of metallurgical coal overseas – to capture the favorable international market dynamics. As we increase our production, ARLP will look for additional opportunities to participate in the growing international demand for coal.

To fill customer demand, it is critical that ARLP's mines remain in excellent shape and that we continue to grow. During 2011, ARLP estimates capital expenditures will range from $320.0 million to $360.0 million to cover ongoing development activities at Tunnel Ridge, general maintenance and infrastructure improvements. As a result of these investments, ARLP expects 2011 depreciation, depletion and amortization expenses to increase to a range of $160.0 million to $170.0 million, compared with $146.9 million in 2010. On a five-year planning horizon, ARLP estimates maintenance capital expenditures of approximately $4.70 per ton produced. Actual expenses will

BY 2035, COAL IS EXPECTED TO REMAIN THE PRIME SOURCE FOR ELECTRICITY, IN THE UNITED STATES.

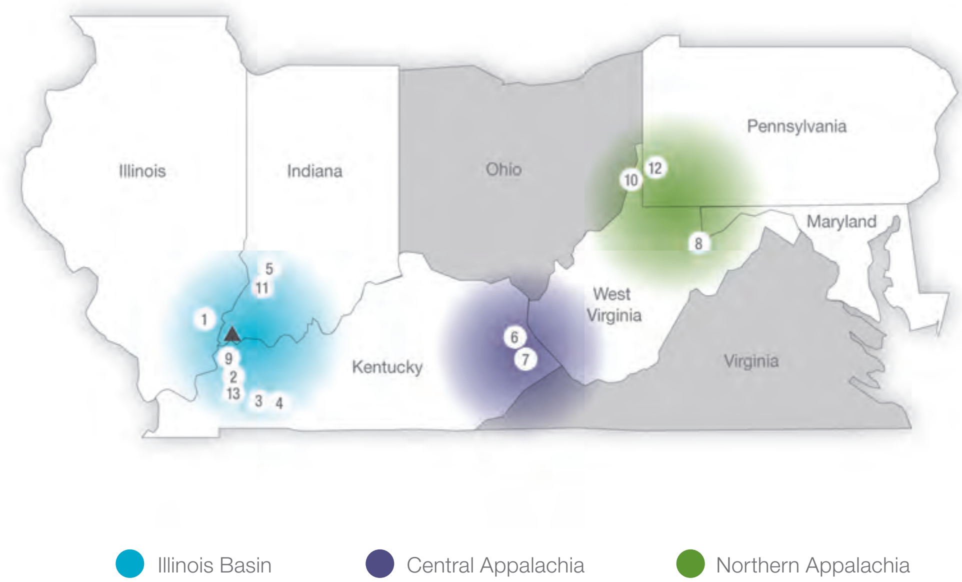
vary due to timing of construction and maintenance schedules, as well as changes in Mine Safety and Health Administration laws and regulations.

To keep pace as the world's fastest-growing fuel, the coal industry must employ dedicated and highly motivated people. Today, the coal industry provides direct jobs for almost 90,000 Americans who live across 25 states. ARLP's union-free workforce totaled 3,558 employees at the end of 2010 and we expect that number to increase to 3,700 by the end of 2011.

ARLP is committed to attracting people who understand how their efforts help power America's success. ARLP continuously implements and often establishes the coal industry's best practices regarding safe working environments, equipment, ongoing training, compensation, benefits and recognition. As a result, ARLP has developed a team of professionals in our mining complexes and support offices whose operational practices drive superior earnings performance.

By aligning the interests of customers, employees, management and unitholders, ARLP has been able to achieve a consistent and stable record of cash flow and distribution growth. Looking forward, we will continue to rely on our financial integrity as we further expand our strength in numbers.

Mining Complexes



1. Pattiki
Pattiki Mine

2. Dotiki
Dotiki Mine

3. Warrior
Warrior Mine

4. Hopkins
Elk Creek Mine

5. Gibson
Gibson North Mine

6. Pontiki
Excel No. 2 Mine

7. MC Mining
Excel No. 3 Mine

8. Mettiki
Mountain View Mine

9. River View
River View Mine

Under Construction

10. Tunnel Ridge
Estimated reserves: 97 million tons

Mine Development Projects

11. Gibson South
Estimated reserves: 48 million tons

12. Penn Ridge
Estimated reserves: 57 million tons

13. Sebree
Estimated reserves: 24 million tons

Transfer Terminal

▲ Mount Vernon Transfer Terminal
Operates a coal loading terminal on the Ohio River

ARLP remains committed to a business plan that inspires success and continues to reward supporters. The journey has been exceptional for ten years and it is our intention to continue forward on the same path.

Our determination to be a leader within the coal industry is a commitment ARLP takes seriously. We will continue to manage our business with a disciplined approach and thoughtfully pursue new opportunities. We also will remain focused on delivering exceptional value to our unitholders by creating sustainable growth in cash flow and distributions.

Much of the foundation for a successful 2011 already is in place and should result in greater coal sales volumes and sales prices. Those achievements are expected to produce the following increases for 2011, when compared with our 2010 results:

Revenues*	+10.8 to 17.1 percent, or $1.75 billion to $1.85 billion
Net income	+7.5 to 20.0 percent, or $345.0 million to $385.0 million
EBITDA	+9.0 to 17.0 percent, or $545.0 million to $585.0 million

** Excludes transportation revenues*

ARLP's anticipated 2011 results are expected to benefit from a full year of River View running all eight of its mining units and the Pattiki Mine's return to full production capacity. The numbers also take into account challenges facing our industry: the domestic steam coal supply remains under pressure from growth in global coal demand and production is constrained due to heightened regulatory intervention.

Our long-term view of the supply/demand dynamics in the domestic market remains positive. After two difficult years, the United States economy is showing signs of growth, raising expectations for higher electricity consumption in the future and pointing to increased coal demand.

Your support provides ARLP confidence and strength. Thank you.

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

March 8, 2011

FACTS & FIGURES

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)	2010	2009	2008	2007	2006
Cash flows provided by operating activities	$ 520,588	$ 282,741	$ 261,041	$ 244,012	$ 250,923
Non-cash compensation expense	(4,051)	(3,582)	(3,931)	(3,925)	(4,112)
Asset retirement obligations	(2,579)	(2,678)	(2,827)	(2,419)	(2,101)
Coal inventory adjustment to market	(498)	(3,030)	(452)	(21)	(319)
Net gain (loss) on foreign currency exchange	(274)	653	-	-	-
Net gain (loss) on sale of property, plant and equipment	(234)	(136)	911	3,189	1,188
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 vertical hoist conveyor system	(1,204)	-	-	-	-
Other	(1,448)	(537)	(366)	(811)	(1,119)
Net effect of working capital changes	(42,402)	36,440	(19,661)	7,898	(5,317)
Interest expense, net	29,862	29,798	18,418	9,952	9,175
Income tax expense (benefit)	1,741	708	(480)	1,669	2,443
EBITDA	499,501	340,377	257,812	266,989	250,761
Depreciation, depletion and amortization	(146,881)	(117,524)	(105,278)	(85,310)	(66,489)
Interest expense, net	(29,862)	(29,798)	(18,418)	(9,952)	(9,175)
Income tax (expense) benefit	(1,741)	(708)	480	(1,669)	(2,443)
Cumulative effect of accounting change	-	-	-	-	112
Net income	321,017	192,347	134,596	170,058	172,766
Net (income) loss attributable to noncontrolling interest	-	(190)	(420)	332	161
Net income attributable to ARLP	$ 321,017	$ 192,157	$ 134,176	$ 170,390	$ 172,927

EBITDA is defined as net income attributable to ARLP before net interest expense, income taxes, depreciation, depletion and amortization, cumulative effect of accounting change and net income attributable to noncontrolling 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).

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," "continue," "estimate," "will" 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.

General Information

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

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

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 (12/31/2010)

ARLP 36,716,855 common units
AHGP 59,863,000 common units

Independent Auditors

Deloitte & Touche LLP
One Technology Center
100 South Cincinnati Avenue, Suite 700
Tulsa, OK 74103

Unitholder Information

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 also is available on our Web sites. Please visit www.arlp.com and www.ahgp.com.

Unitholders 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

Investor Information and Form 10-K

For more information or free copies of the 2010 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**

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