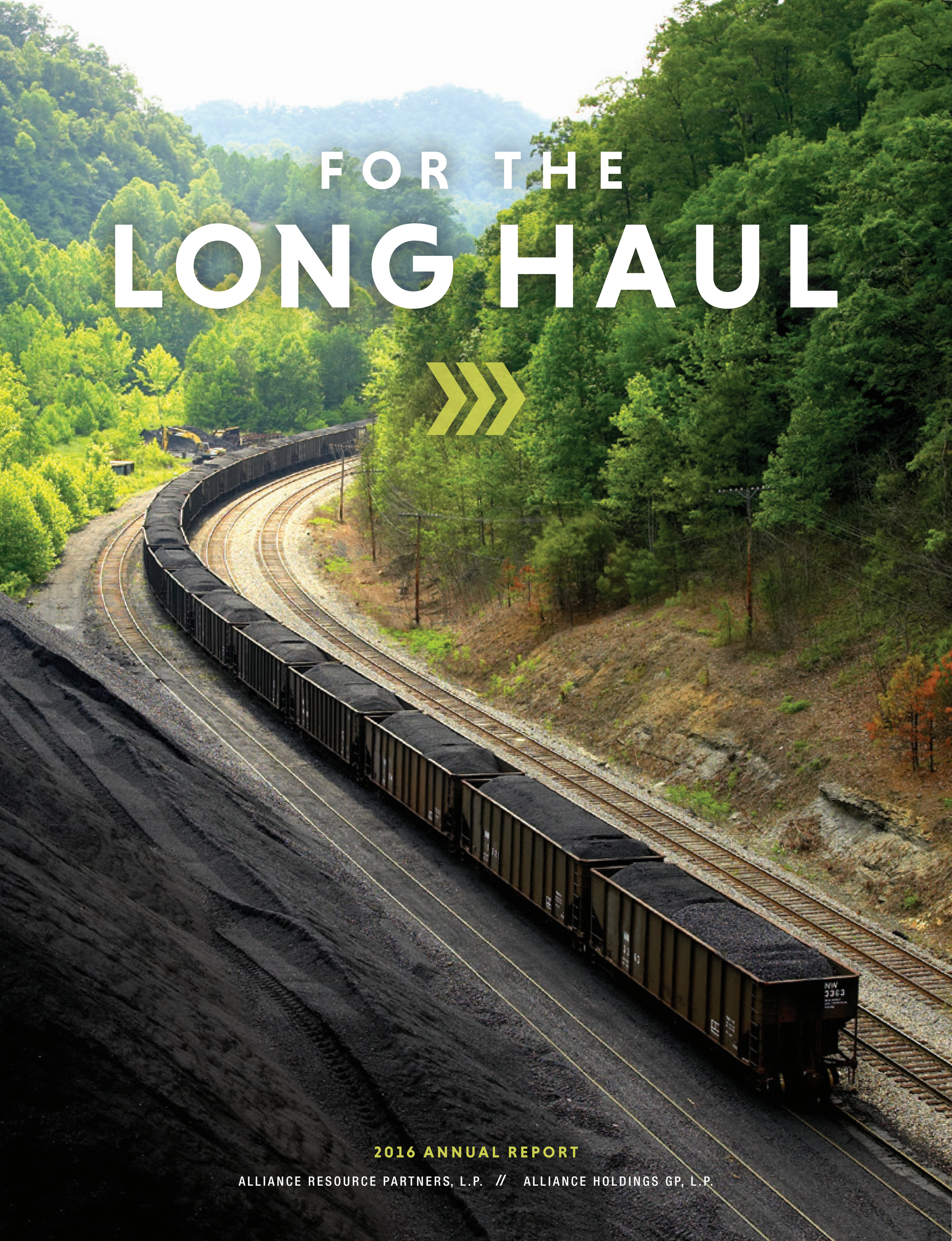


FOR THE LONG HAUL

2016 ANNUAL REPORT

ALLIANCE RESOURCE PARTNERS, L.P. // ALLIANCE HOLDINGS GP, L.P.

PERFORMANCE
VALUE
RELIABILITY

for the long haul

FELLOW UNITHOLDERS,

AT ALLIANCE, WE HAVE ALWAYS TAKEN THE LONG VIEW. *When responding to market challenges of the past year, we, not only made strategic decisions that delivered excellent results, but consistently acted with an eye toward the future—working to lay the groundwork for long-term performance, value and reliability for our unitholders.*

We finished the year strong. Robust performance, including reductions in operating expenses and near-record coal shipments in the second half of the year, led to sequential third- and fourth-quarter increases to net income and EBITDA. Solid performance throughout the latter half of 2016 also helped to drive year-over-year increases to net income and EBITDA for the full year.

Managing volumes to meet market demand and reduce expenses, ARLP responded quickly and strategically, trimming production to 35.2 million tons and sales to 36.7 million tons, approximately 15% and 9% below our 2015 record levels. As a result, we finished the year with less than 1 million tons of coal inventory.

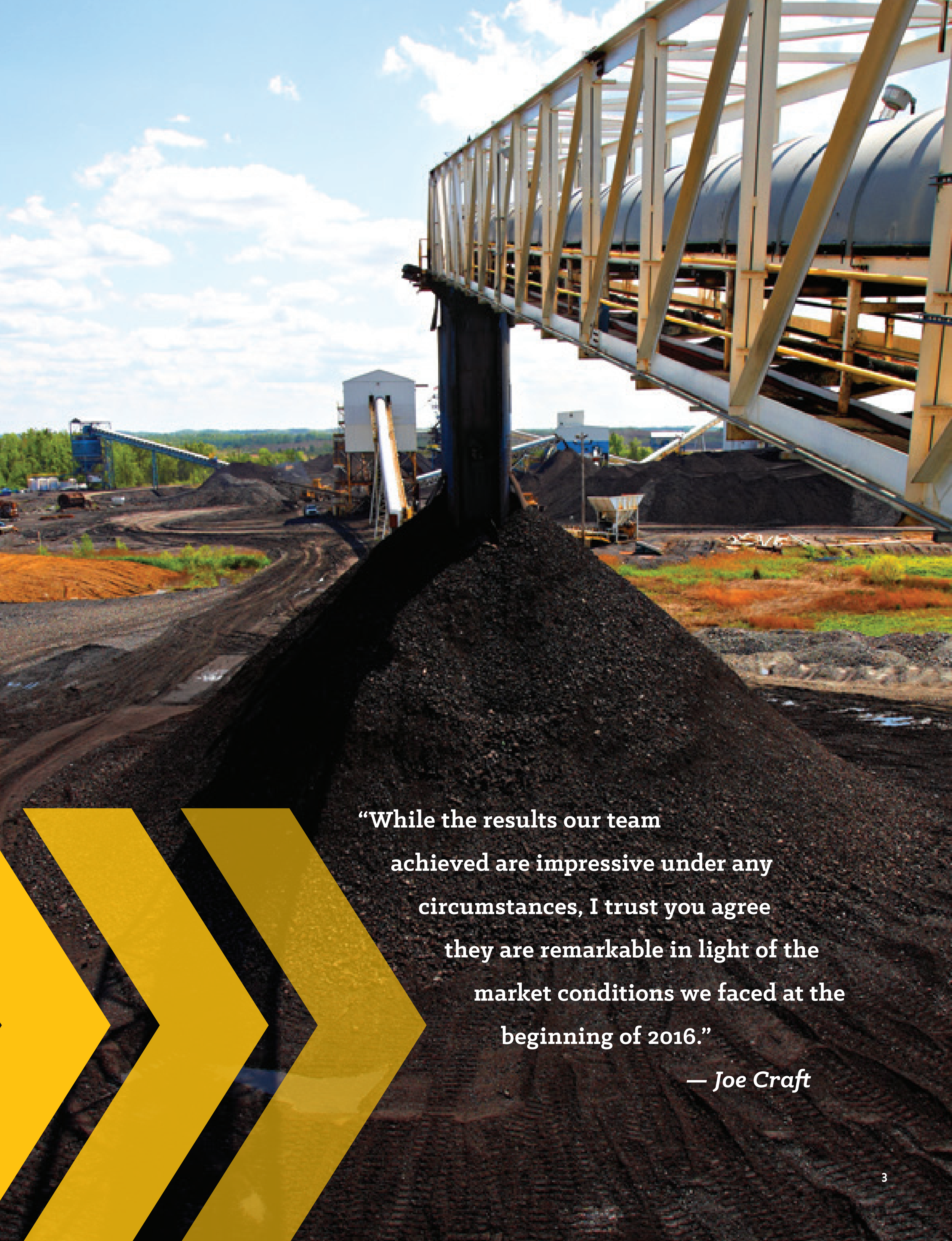
Our final 2016 sales volume, average coal sales price, and total revenues were all within our initial guidance for the year, however, our strategic moves helped our cost-containment efforts to far exceed expectations. We shifted production to our lowest-cost mines, which led to significant cost improvements compared to 2015—as operating expenses decreased 17.3% and Segment-Adjusted EBITDA expense-per-ton fell by 9.2% to $31.07. Lower costs and improved productivity from our Tunnel Ridge and Gibson South mines, drove actual results for 2016 well above our early expectations, as ARLP posted net income $73.9 million and EBITDA $112.7 million above the midpoints of our initial guidance, respectively.

We made tough but necessary decisions during a difficult year for the coal industry—curtailing coal production and reducing distributions to our unitholders, among others. These decisions enhanced ARLP's competitive advantages and allowed us to strengthen our balance sheet by paying down debt and amending our revolving credit facility to provide sufficient liquidity to execute our plans. Our strategy not only delivered impressive results, but positioned us to take advantage of improving market conditions in the years to come.

I'm grateful to our team for their steady expertise, unwavering dedication, and strategic decision-making. And I'm grateful to you for your faith in our team. Here's to the long haul.

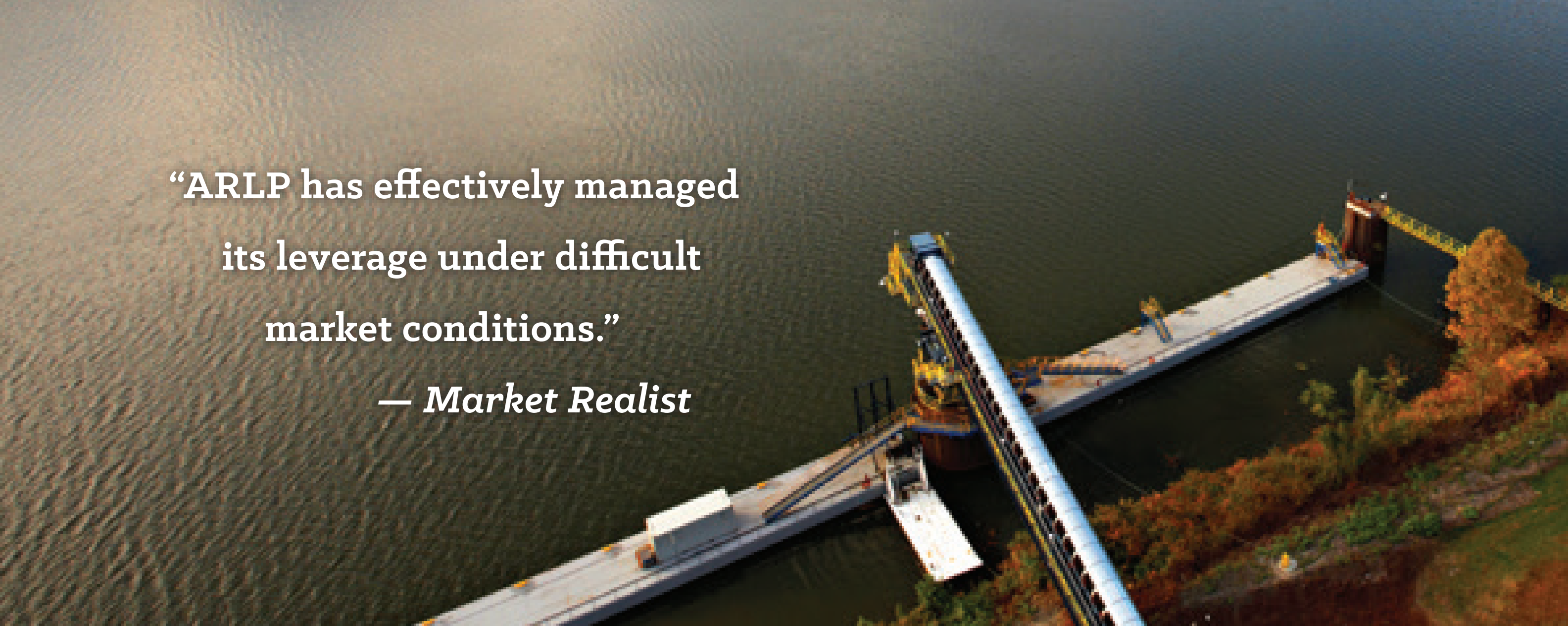
JOSEPH W. CRAFT III
President, Chief Executive Officer, and Director of ARLP and AHGP, and Chairman of the Board of AHGP

March 16, 2017



"While the results our team achieved are impressive under any circumstances, I trust you agree they are remarkable in light of the market conditions we faced at the beginning of 2016."

— *Joe Craft*



PERFORMANCE
for the long haul

Conditions in the U.S. thermal markets deteriorated sharply coming into 2016 and continued to weaken during the first third of the year. A warm winter and low natural gas prices led to anemic coal demand, prompting utilities to defer deliveries, build inventories, and delay contracting decisions. Still, we performed. Here's what we did:

Alliance responded to market conditions by curtailing coal volumes to meet reduced demand levels and, in the process, shifted production to our lowest-cost mines to improve efficiencies, reduce costs, and minimize capital requirements. These initiatives enabled our operating team to effectively manage our coal production volumes through a period of extreme market weakness and positioned our marketing team to capitalize on opportunities as conditions began to improve.

We also took steps to strengthen our balance sheet. Capital expenditures came in approximately $50 million less than our budget. We took the difficult step to adjust distributions, not because of our performance, or the outlook of our balance sheet, but to preserve liquidity to help us maintain access to the debt capital markets during a period of uncertainty in our industry and financial difficulties for many competitors. As a result of our strong cash flow, ARLP paid down $269.4 million of debt during 2016 as our distribution coverage ratio increased to nearly two times for the full year.

As always, we approached our business with a thoughtful plan of action, leveraging our expertise and never wavering from our core values or our proven strategy for success. The results speak for themselves.

VALUE
for the long haul

The market wasn't kind to those who weren't prepared or able to respond decisively. At ARLP, however, we continued our history of industry-leading performance. With our financial strength and low-cost, strategically located operations, we remain confident in our ability to create long-term value for unitholders. Here's where we ended 2016:

Bottom line: Year-over-year, 2016's net income increased 10.8% to $339.4 million and EBITDA rose 3.5% to $692.7 million. Adjusted for the $77.6 million of net non-cash charges in 2015, adjusted net income and adjusted EBITDA were lower by 11.6% and 7.3%, respectively.

As anticipated, weak market conditions drove ARLP's average price realizations down 5.3% in 2016 to an average of $50.76 per ton sold. Lower coal sales prices, and planned reductions in production drove 2016 coal sales revenues lower to $1.86 billion, compared to $2.16 billion for 2015. Operating expenses, on the other hand, improved 17.3% compared to 2015, contributing to a 9.2% improvement in Segment-Adjusted EBITDA expense of $31.07 per ton sold.

We ended 2016 with a healthy balance sheet. Total liquidity was $575.2 million with a very conservative leverage ratio of 0.9 times net debt-to-trailing EBITDA. We recently completed an amendment and extension of our revolving credit facility that provides for approximately $480 million of senior secured financing maturing in May 2019. Despite challenging debt markets facing the coal industry, ARLP was able to obtain this financing at a modest increase in pricing across the leverage grid with borrowings under the revolver bearing interest at an attractive rate of LIBOR plus 235 basis points at ARLP's current leverage of less than one times.

As part of our debt reduction efforts, we significantly reduced borrowings under our revolver and have paid down our existing term loan to a remaining balance of $50 million, which will be paid in full at the expiration of its primary term in May 2017. With the completion of this amended credit facility and our strong balance sheet, ARLP maintains sufficient liquidity and financial flexibility to take advantage of opportunities that may develop as we execute our strategy.

WITH EXPECTATIONS OF A STRONGER THERMAL MARKET, ARLP IS PLANNING FOR INCREASED PRODUCTION AND SALES VOLUMES, COMING PRIMARILY FROM OUR ILLINOIS BASIN OPERATIONS.

ILLINOIS BASIN
current operations

APPALACHIA
current operations

▲ **MOUNT VERNON**
transfer terminal

■ **HENDERSON/UNION**
reserves

◆ **INACTIVE OPERATIONS**

1. Gibson Complex
   North Mine
2. Sebree Complex
   Onton Mine

RELIABILITY
for the long haul

By 2040, global electricity demand is projected to rise 60%[1] and coal-fired power plants are expected to continue to provide the largest share of the world's electricity, powering nearly one-third of the energy used in homes, factories and offices.[2] In the shorter-term, rising natural gas prices and planned reductions of current regulatory burdens—plus the proven track record of our team at Alliance—fuel an optimistic outlook. Here's what we expect:

Supply/demand fundamentals continue to point to a cyclical recovery in the U.S. thermal coal market. Supply discipline by producers resulted in an 18% decline in domestic coal production and an estimated 25 million ton stockpile reduction during 2016. Higher natural gas prices prompted us to expect increased coal demand for the first half of 2017 compared to last year. Full-year forecasts by the U.S. Energy Information Administration show coal consumption in the electric power sector increasing 6% in 2017.[3] In addition to this more balanced supply/demand dynamic, resurgence in the export coal markets has added further support to improved U.S. market conditions.

Longer-term, the Trump administration has already made moves to reduce the overreaching regulatory burden that has plagued the coal industry for the last eight years and to bolster the existing fleet of coal-fired generating power plants. A return to more reasonable and less stringent environmental and energy policies should provide clarity and stability to coal markets and set the stage for growing coal demand in the future.

With our low-cost, strategically-located operations, strong market presence, robust distribution coverage and conservative balance sheet, ARLP is well-positioned to deliver industry-leading performance and value for our unitholders for the foreseeable future.

"Alliance Resource is a well-run company with a strong asset base."

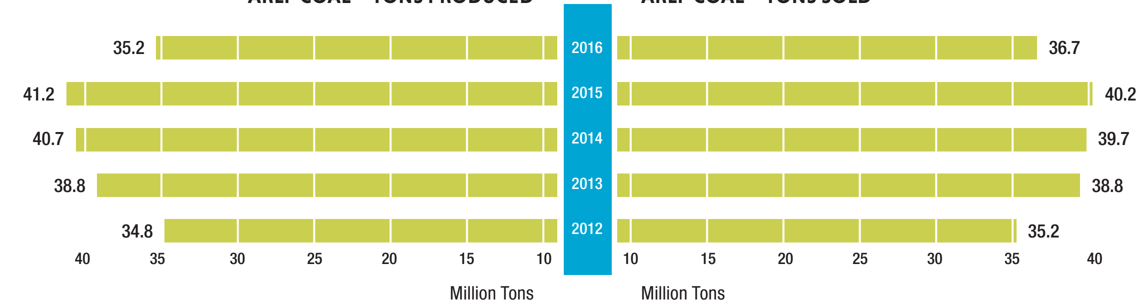
— Yahoo! Finance

1 ExxonMobil, "2017 Outlook For Energy: A View To 2040," December 2016

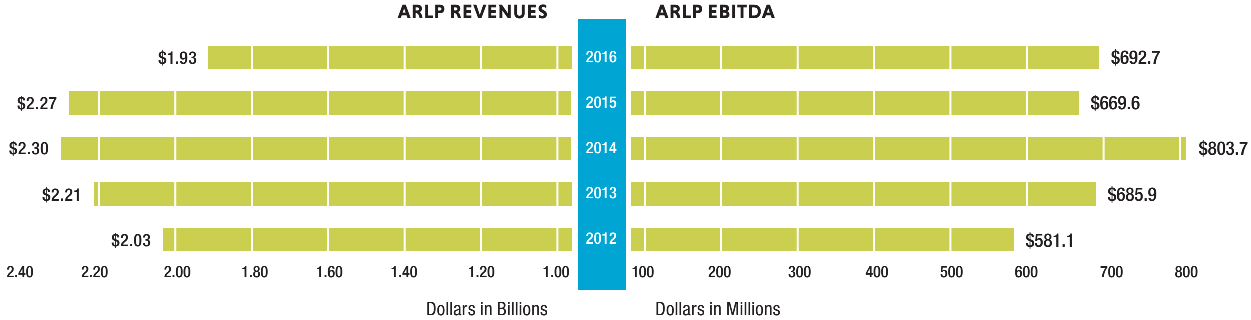
2 The Daily Caller, "Report: Coal Is Still King In 2040," January 3, 2017

3 U.S. Energy Information Administration, "Short-Term Energy Outlook," January 10, 2017

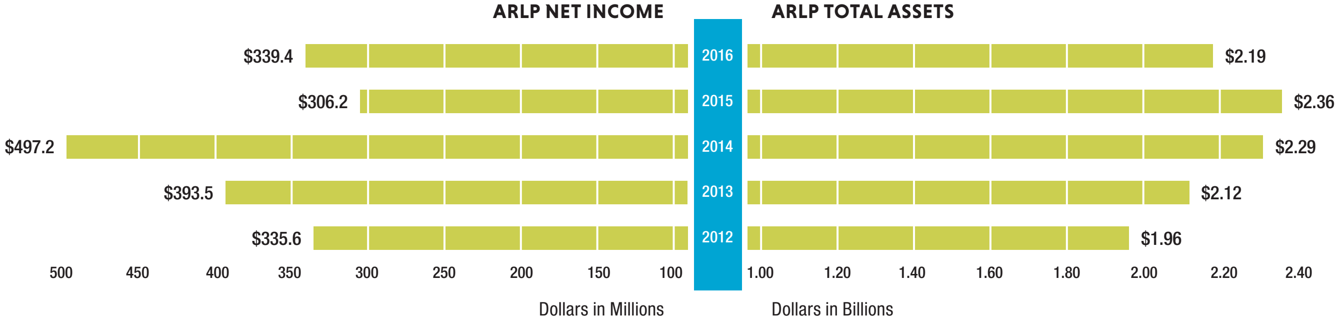
ARLP COAL – TONS PRODUCED | **ARLP COAL – TONS SOLD**



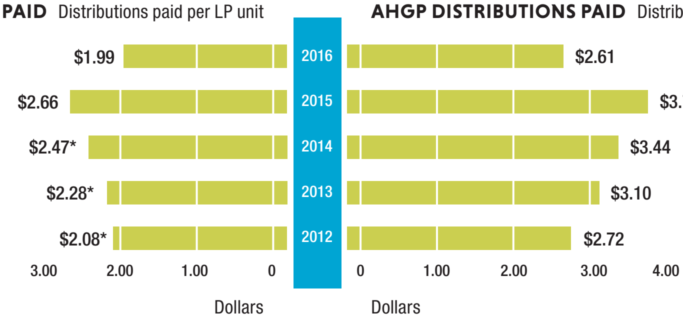
ARLP REVENUES | **ARLP EBITDA**



ARLP NET INCOME | **ARLP TOTAL ASSETS**



ARLP DISTRIBUTIONS PAID Distributions paid per LP unit | **AHGP DISTRIBUTIONS PAID** Distributions paid per LP unit



Amounts rounded to the nearest penny. *Adjusted for 2:1 Unit Split.

Reconciliation of GAAP “net income attributable to ARLP” to non-GAAP “Adjusted net income”

	Year Ended December 31				
(in thousands)	2016	2015	2014	2013	2012
Net income attributable to ARLP	$ 339,398	$ 306,198	$ 497,229	$ 393,490	$ 335,571
Asset impairment charge	-	100,130	-	-	19,031
Acquisition gain, net	-	(22,548)	-	-	-
Adjusted net income	339,398	$ 383,780	$ 497,229	$ 393,490	$ 354,602

Reconciliation of GAAP “net income attributable to ARLP” to non-GAAP “EBITDA,” “Adjusted EBITDA” and “Distributable Cash Flow”

	Year Ended December 31				
(in thousands)	2016	2015	2014	2013	2012
Net income attributable to ARLP	$ 339,398	$ 306,198	$ 497,229	$ 393,490	$ 335,571
Net income (loss) attributable to noncontrolling interests	140	(27)	(16)	-	-
Net Income	339,538	306,171	497,213	393,490	335,571
Depreciation, depletion and amortization	322,509	333,713	274,566	264,911	218,122
Interest expense, net	31,017	30,389	32,746	35,074	36,891
Capitalized interest	(358)	(695)	(833)	(8,992)	(8,436)
Income tax expense (benefit)	13	21	-	1,396	(1,082)
EBITDA	692,719	669,599	803,692	685,879	581,066
Asset impairment	-	100,130	-	-	19,031
Acquisition gain, net	-	(22,548)	-	-	-
Adjusted EBITDA	692,719	747,181	803,692	685,879	600,097
Equity in (income) loss of affiliates	(3,543)	49,046	16,648	24,441	14,650
Interest expense, net	(31,017)	(30,389)	(32,746)	(35,074)	(36,891)
Income tax (expense) benefit	(13)	(21)	-	(1,396)	1,082
Estimated maintenance capital expenditures [1]	(167,409)	(204,243)	(240,419)	(221,058)	(191,400)
Distributable Cash Flow	$ 490,737	$ 561,574	$ 547,175	$ 452,792	$ 387,538
Distributions paid to partners	$ 247,915	$ 346,799	$ 317,626	$ 288,439	$ 257,923
Distribution Coverage Ratio	1.98	1.62	1.72	1.57	1.50

1, Our maintenance capital expenditures, as defined under the terms of our partnership agreement, are those capital expenditures required to maintain, over the long-term, the operating capacity of our capital assets. We estimate maintenance capital expenditures on an annual basis based upon a five-year planning horizon.

Reconciliation of GAAP “Operating Expenses” to non-GAAP “Segment Adjusted EBITDA Expense per ton”

	Year Ended December 31				
(in thousands, except per ton data)	2016	2015	2014	2013	2012
Operating expense	$ 1,138,848	$ 1,377,053	$ 1,383,360	$ 1,398,763	$ 1,303,291
Outside coal purchases	1,514	327	14	2,030	38,607
Other income	(725)	(955)	(1,566)	(1,891)	(3,115)
Segment Adjusted EBITDA Expense	$ 1,139,637	$ 1,376,425	$ 1,381,808	$ 1,398,902	$ 1,338,783
Divided by tons sold	36,680	40,247	39,731	38,835	35,170
Segment Adjusted EBITDA Expense per ton	$ 31.07	$ 34.20	$ 34.78	$ 36.02	$ 38.07

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 at 02/24/2017

ARLP 74,597,036 common units
AHGP 59,863,000 common units

Independent Auditors

Ernst & Young LLP
1700 One Williams Center
Tulsa, OK 74172

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 2016 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**

Executive Officers & Directors
ARLP » AHGP »

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

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

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

Robert G. Sachse »
Executive Vice President

Charles R. Wesley »
Executive Vice President and Director

Thomas M. Wynne »
Senior Vice President and Chief Operating Officer

Nick Carter »
Director, member of the Audit, Compensation and Conflicts Committees for ARLP

John P. Neafsey »
Director, Chairman of the Board of Directors, Chairman of the Conflicts Committee, and member of the Audit and Compensation Committees

John H. Robinson »
Director, Chairman of the Compensation Committee, and member of the Audit and Conflicts Committees

Wilson M. Torrence »»
Director, Chairman of the Audit Committee for ARLP and AHGP and member of the ARLP Compensation Committee

Thomas M. Davidson, Sr. »
Director, Chairman of the Conflicts Committee and member of the Audit Committee

Robert J. Druten »
Director and member of the Audit and Conflicts Committees

ALLIANCE RESOURCE PARTNERS, L.P.

ALLIANCE HOLDINGS GP, L.P.

P.O. Box 22027, Tulsa, Oklahoma 74121-2027 // www.arlp.com // www.ahgp.com