

PENN VIRGINIA
RESOURCE PARTNERS, L.P.

Executing the Strategy

A hand is shown pointing at a map with several colored boxes (yellow, blue, orange) highlighting specific areas. The map appears to be a geographical or technical drawing, possibly related to energy infrastructure. The background is a dark green color.

2004 ANNUAL REPORT

PARTNERSHIP PROFILE:

Penn Virginia Resource Partners, L.P. (NYSE:PVR) is a master limited partnership formed by Penn Virginia Corporation (NYSE:PVA) which operates in two segments of the energy industry. PVR's coal land management division owns and manages coal and timber properties and coal-related infrastructure assets. With its acquisition of a natural gas midstream division in early 2005, PVR also owns and operates natural gas gathering and processing systems and related assets.

FINANCIAL HIGHLIGHTS

in millions, except per unit information

Financial Data⁽¹⁾

	2004	2003	2002	2001
Revenues	\$ 75.6	\$ 55.6	\$ 38.6	\$ 37.5
Operating income	40.5	26.6	24.4	25.2
Net income	34.3	22.7	24.7	16.1
Cash flow from operations	54.8	41.1	30.3	21.6
Distributable cash flow ⁽²⁾	55.5	41.5	30.7	22.0
Total assets	284.4	259.9	266.6	162.6
Net debt ⁽³⁾	117.7	91.8	90.9	—
Partners' capital	150.0	153.8	162.5	114.5

Per Limited Partner Unit Data⁽⁴⁾

	2004	2003	2002	2001
Net income ⁽⁵⁾	\$ 1.86	\$ 1.24	\$ 1.57	\$ 0.24
Cash distributions declared	2.16	2.08	2.00	0.34
Weighted average number of limited partner units outstanding	18.1	17.9	15.4	15.3

Operating Data

	2004	2003	2002	2001
Coal produced by lessees (millions of tons)	31.2	26.5	14.3	15.3
Coal royalties (\$/ton)	\$ 2.23	\$ 1.90	\$ 2.20	\$ 2.11
Estimated coal reserves (millions of recoverable tons)	558	588	615	493

⁽¹⁾ 2001 financial data represent total Partnership results for the period from inception (October 30, 2001) through December 31, 2001, and the results of our predecessor from January 1, 2001 through October 29, 2001.

⁽²⁾ Distributable cash flow is calculated as follows:

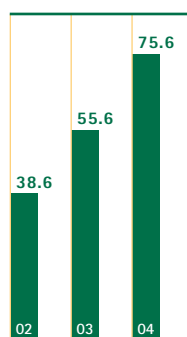
	2004	2003	2002	2001
Cash flow from operations	\$ 54.8	\$ 41.1	\$ 30.3	\$ 21.6
Proceeds from note receivable	0.8	0.5	0.5	0.5
Maintenance capital	(0.1)	(0.1)	(0.1)	(0.1)
	\$ 55.5	\$ 41.5	\$ 30.7	\$ 22.0

⁽³⁾ 2001 debt of \$43.4 million has been offset by the same amount of short-term investments carried as security for the debt.

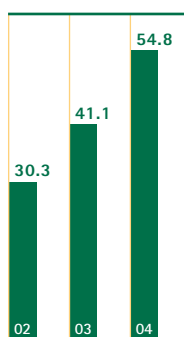
⁽⁴⁾ 2001 per unit information represents results from inception (October 30, 2001) through December 31, 2001.

⁽⁵⁾ Per unit amount is computed after general partner's share.

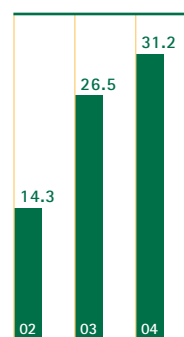
REVENUE Dollars in millions



CASH FLOW FROM OPERATIONS Dollars in millions



COAL PRODUCED BY LESSEES Millions of tons



OVERVIEW



PVR IS EXECUTING ITS GROWTH STRATEGY

■ PURSUING COAL RESERVE ACQUISITION OPPORTUNITIES

PVR has been engaged in the coal land management business in Appalachia since 1882. We are actively pursuing opportunities to expand our coal royalty stream through acquisition of additional coal reserves and development of our existing properties. We are also considering ways to expand geographically by evaluating acquisition opportunities in several basins including the Illinois basin.

■ EXPANDING OUR COAL SERVICES BUSINESS

Coal infrastructure projects are typically long-lived, fee-based assets which generally produce steady and predictable cash flows, and therefore are attractive to master limited partnerships. In 2004, PVR put the Bull Creek loadout facility into service and entered into a coal handling joint venture with Massey Energy, which has allowed us to invest in fee-based coal-related infrastructure projects involving end-users of coal. We intend to continue to pursue growth opportunities in this segment of the coal industry.

■ ENTERING THE NATURAL GAS MIDSTREAM BUSINESS AND EXPANDING THAT SEGMENT

In 2005, PVR acquired certain natural gas midstream operations which we expect to become a platform for future growth. We will seek "bolt on" acquisitions, new stand-alone opportunities and possible synergies with Penn Virginia Oil and Gas Corporation.

■ MAINTAINING FINANCIAL FLEXIBILITY

PVR presently has an investment grade debt rating. We intend to continue to be fiscally conservative and manage our capital structure to sustain growth for the long term.



UNITHOLDER LETTER



For all the success reflected in the financial and production numbers, it is on a strategic basis that the Partnership made the greatest strides.

Dear Unitholder:
Penn Virginia Resource Partners, L.P. (PVR) had an excellent year from both an operational and a strategic perspective. During 2004, PVR's unit price increased 52 percent. When combined with its distributions for 2004, PVR's total return to unitholders was 58 percent. Since its initial public offering in October 2001 the unit price has increased 148 percent. Distributions to unitholders were increased twice during 2004 by a total of 8.2 percent to an annualized rate of \$2.25 per unit. The Partnership achieved new records in several important areas in 2004:

- Coal produced from PVR-controlled properties was 31.2 million tons, up 18 percent over 2003;
- Revenues grew to \$75.6 million, a 36 percent increase over 2003;
- Distributable cash flow, a measure of cash available for distribution to unitholders, increased 34 percent to \$55.5 million.

For all the success reflected in the financial and production numbers, it is on a strategic basis that the Partnership made the greatest strides. From its inception, PVR has sought to add fee-based assets to its portfolio. In previous years the Partnership has built or bought and then operated coal handling facilities, such as railcar loadouts, on its own property. In July 2004, PVR announced it had entered into a fifty-fifty joint venture with Massey Energy Company [NYSE:MEE] to own and operate coal handling facilities for industrial end-users. The joint venture has three existing operations and is expected to add more facilities over time.

Of even greater significance was the move into the midstream natural gas business.

On November 23, 2004, PVR announced it had signed a definitive agreement to purchase a natural gas gathering and processing business with assets in Oklahoma and Texas from Cantera Resources Holding LLC ("Cantera") for \$191 million in cash. The acquisition closed in March 2005. The new business segment is named PVR Midstream and is expected to generate approximately \$25 to \$28 million of cash flow from operations in the first twelve months after closing.

The Cantera acquisition is important for several reasons. It is expected to be immediately accretive to cash flow distributable to the unitholders and a large percentage of its revenue and cash flow comes from fee-based assets, which are compatible with PVR's master limited partnership (MLP) structure. In fact, most growth MLPs are in the midstream oil and gas business. Cantera's seasoned commercial and operating staff, when combined with certain PVR senior managers, who have extensive midstream experience creates a solid team to oversee the future growth of the midstream segment of PVR. Because Penn Virginia Corporation [NYSE:PVA], the owner of PVR's general partner, is in the oil and gas exploration and production business and owns midstream assets, synergies should arise once the Cantera acquisition has been completed.



KEITH D. HORTON
*President and Chief
Operating Officer*

A. JAMES DEARLOVE
*Chairman and Chief
Executive Officer*

Strategy

PVR is well positioned to grow from two distinct platforms: its traditional coal and land management business and PVR Midstream. The tax advantaged nature of PVR's partnership units provides a powerful currency to finance acquisitions. The original concept for the Partnership was to expand the coal royalty business and to acquire fee-based coal infrastructure as well as midstream oil and gas assets, using a combination of debt and partnership units to fund the expansion.

Since its initial public offering in late 2001, PVR has acquired 136 million tons of coal reserves (a 33 percent increase) and diversified into northern Appalachia and New Mexico. It has also built or bought various coal handling facilities for use by its lessees. During 2004 PVR entered into a coal handling joint venture and initiated the purchase of a significant midstream natural gas business.

PVR will continue to identify and evaluate coal reserve acquisition opportunities.

Accretive coal purchase transactions in central Appalachia, PVR's home turf, are difficult to complete. The very strong coal price environment, especially in the east, has complicated matters by raising seller expectations. PVR is also evaluating ideas in the Illinois basin, where the coals tend to be mid to high sulfur and have been out of favor for some time. As environmental constraints cause more utilities to scrub their coal and the lower cost, low sulfur eastern reserves deplete, the growth of Illinois basin production appears inevitable. The question is not if the basin will have a renaissance but when.

Coal infrastructure projects, particularly those involving end-users, are attractive MLP assets. The coal handling joint venture holds considerable promise and both Massey and PVR expect to generate ideas to expand the enterprise.

There should be numerous opportunities to add to the midstream oil and gas platform. PVR's approach will include trying to build out from the former Cantera assets with "bolt on" acquisitions. Also, other stand-alone midstream oil and gas assets will be considered. Finally, potential synergies between PVR and PVA's operations will be explored.

Another important element of PVR's strategy is to remain fiscally conservative and manage for the long term. The Partnership has an investment grade rating and has been cautious regarding debt. It has also been prudent with distribution increases. In order to preserve PVR's financial flexibility and to keep the balance sheet from becoming over-levered, we completed a secondary offering of common limited partner units soon after Cantera closed in March 2005.

Outlook

The long-term outlook for coal usage has improved despite the current high price environment. An increasing number of coal-fired electrical generating facilities are being built. Coal's primary competitor, natural gas, is experiencing a significant amount of volatility and high price levels. Utility demand for coal is forecast by the Energy Information Administration to grow at an average rate of 1.8 percent annually through 2020. The current prices, especially in Appalachia, may not be sustainable indefinitely, however, it is unlikely they will return to the levels of 2000 or 2002.

PVR is well positioned to grow from two distinct platforms: its traditional coal and land management business and PVR Midstream.

UNITHOLDER LETTER, CONTINUED



For 2005 there is little reason to expect any meaningful change in coal prices. The longer term contracts being signed between utilities and coal suppliers imply solid pricing for the next few years can be expected.

The outlook for midstream companies appears to be strong. Since the collapse of Enron in 2001 and resulting shake-out in the diversified energy world, midstream assets have increasingly changed hands from traditional energy owners to MLPs. With the success of the MLP sector over the last two years, capital is widely available and investors are eager to participate in the growth in assets and distributions.

Several trends should benefit the midstream sector and MLPs in general during 2005:


- Economic growth requires energy – the U.S. and world economies appear to be improving, which requires more natural gas, oil, and natural gas liquids to fuel the growth;
- Commodity prices remain robust – high energy prices encourage drilling and exploration domestically, which ultimately increases midstream throughput;
- Interest rates remain low – although it appears interest rates will be climbing gradually through 2005, forecasts indicate interest rates will remain below historic averages;
- Mutual fund investment allowed – with the passage of the American Jobs Creation Act in October, mutual funds will be allowed to invest more easily in MLPs, which should increase access to capital and interest in the sector; and

- Producers are becoming more “MLP friendly”—midstream customers are growing more accustomed to contract structures such as fee for service, percent-of-proceeds, and processing floors which give the MLP midstream company the cash flow stability needed for success.

PVR is well positioned to capitalize on these trends. The Partnership has a solid asset base and one of the lowest costs of capital in the MLP sector. Having a low cost of capital means having the ability to be competitive in seeking acquisitions and facilitates organic growth project financing.

PVR has tried to position itself to take advantage of the current strong price environment. With a diversified, increasingly fee-based revenue stream the Partnership should be able to sustain its growth for years to come.

It has been a very good year for PVR and its unitholders. The Partnership's Board of Directors and its management are pleased to make this report and appreciate your investment in Penn Virginia Resource Partners.



A. JAMES DEARLOVE

Chairman and Chief Executive Officer



KEITH D. HORTON

President and Chief Operating Officer

OVERVIEW OF OPERATIONS



Review of Operations

During 2004 PVR established new records for revenues which were up 36 percent over 2003, to \$75.6 million and coal royalties which were \$69.6 million, a 38 percent increase over 2003. Coal production from PVR's properties was also a record 31.2 million tons, an 18 percent increase over 2003.

Coal prices were very strong, especially in the east, where spot prices hovered around \$60 per ton for much of the year. However, more important than increased spot prices was the fact many utilities began signing multiyear contracts with coal operators to purchase coal at over \$40 per ton. These prices are dramatic increases over contract prices from 2002 or early 2003. The significance is that the new contracts tend to lock in the higher prices for a period of time, providing a degree of certainty to the industry. A portion of PVR's coal reserves are capable of moving into the metallurgical market, which has seen a

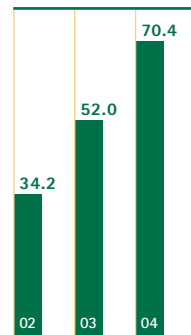


resurgence due to the devaluation of the dollar as compared to many foreign currencies and the robust growth of the Chinese economy. Domestic steel production increased in excess of 6.5% during the year and China has increased both coke and steel imports. The strong prices in the metallurgical market have caused a portion of the high quality coal that was being sold to utilities to move into the metallurgical markets. This has significantly tightened the supply of eastern steam coal available to the utility market.

Coal pricing is important to PVR because approximately 70 percent of coal produced from its properties comes from leases tied directly to the price received by the producer. The other 30 percent comes from leases with Peabody Energy Corporation [NYSE:BTU], which escalate annually but are not tied directly to coal prices. As contracts between the various producers leasing coal from PVR and their utility customers have been renegotiated, the Partnership's revenues have increased. Realizations have increased from a weighted average of \$1.90 per ton in 2003 to \$2.23 per ton in 2004. PVR expects its weighted average royalty realization to increase by at least five percent in 2005.

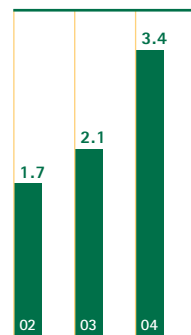
Coal production from central Appalachia, where approximately 77 percent of PVR's royalties originate, has fallen in the past few years by as much as 20 percent. Production from PVR's central Appalachian lessees increased in 2004, however, the forecast for 2005 production from the region is flat relative to 2004. Despite the

PVR COAL ROYALTY REVENUE*
Dollars in millions



*Includes minimum rental income

COAL SERVICES REVENUE
Dollars in millions

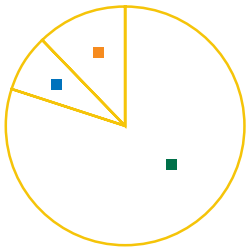


OVERVIEW OF OPERATIONS, CONTINUED



YEAR END 2004 COAL RESERVES

Percentage of 558 million tons



■ Central Appalachia	80%
■ Northern Appalachia	8%
■ New Mexico	12%

PVR remains committed to growth in the coal royalty and related businesses.

strong pricing, it remains difficult to obtain permits and labor shortages are acute. Assuming a normal economy, demand for coal should increase gradually as electricity demand increases. At some point in the future, PVR expects an increasing amount of this demand growth will be satisfied by coal from the Illinois basin where, due to high sulfur levels, the coals require scrubbing. PVR expects the percentage of coals subject to scrubbing will increase as environmental standards become more strict.

PVR remains committed to growth in the coal royalty and related businesses. However, one negative effect of the high price environment was to limit the opportunities to complete accretive acquisitions of coal reserves. PVR has evaluated and continues to review a number of coal reserve prospects; however, there is little appeal to overpaying.

The Partnership was able to take advantage of another growth opportunity in 2004 by acquiring from affiliates of Massey Energy Company for \$28.4 million in July 2004, a 50 percent interest in a joint venture, formed to own and operate end-user coal handling facilities. The joint venture is pursuing additional projects to build and operate coal handling facilities for end-users.

Natural Gas Midstream Acquisition

On November 23, 2004 PVR announced that it had signed a definitive agreement to purchase a natural gas gathering and processing business with assets in Oklahoma and Texas from Cantera Resource Holdings LLC ("Cantera"). The acquisition price is \$191 million in cash and the transaction closed in March 2005. This new business segment is named PVR Midstream and is expected to generate approximately \$25 to \$28 million of cash flow from operations in the first twelve months following closing.

With the closing of the Cantera acquisition, PVR will have achieved a long-stated objective of entering the midstream oil and gas business. Most growth MLPs are involved in midstream oil and gas due in part to the number of opportunities for growth and the nature of the assets.

The acquired assets include approximately 3,400 miles of gas gathering pipelines that supply three natural gas processing plants, which have 160 million cubic feet per day of capacity. Revenues are derived primarily from the sharing of sales proceeds of natural gas and natural gas liquids under contracts with natural gas producers and from fees charged for the gathering and processing of natural gas and other related services. Cantera's assets are located in four geographic regions.



- **The Oklahoma and Texas Panhandles** – 1,160 miles of gas gathering pipelines that deliver gas to the 100 MMcfd Beaver processing facility;
- **North Central Oklahoma** – 1,670 miles of low pressure gathering pipelines that deliver gas to the 40 MMcfd Crescent gas plant;
- **North Central Texas** – 515 miles of gathering pipelines that deliver gas to the 20 MMcfd Hamlin gas plant; and
- **The Arkoma Basin** – 78 miles of gathering pipelines that deliver gas to various market pipelines.

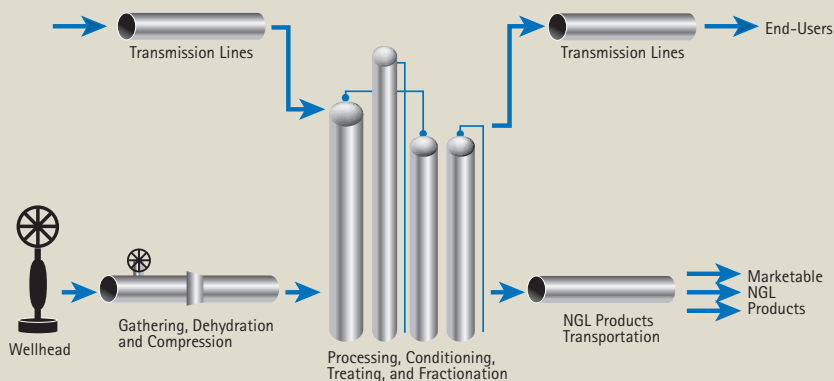
PVR expects to increase its presence in the midstream sector of the oil and gas industry. The physical assets and the intellectual capital provided by Cantera's seasoned commercial and operating management personnel makes it a platform to support future acquisitions while keeping overhead expenses low. The Partnership will also look for ways to achieve operating synergies with Penn Virginia Corporation's oil and gas exploration and production business.



Natural Gas Midstream Industry Overview

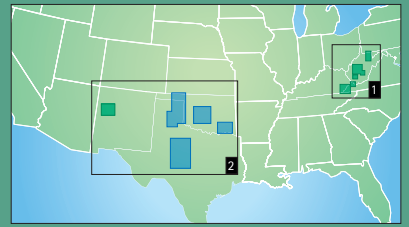
The midstream natural gas industry is the link between the exploration and production of natural gas and the delivery of its components to end-use markets. It consists of natural gas gathering, dehydration, compression, treating, processing and transportation and NGL fractionation and transportation. The midstream industry is generally characterized by regional competition based on the proximity of gathering systems and processing plants to natural gas producing wells.

The following diagram illustrates the natural gas gathering, dehydration, compression, treating, processing, fractionation and transportation processes. Of these services, PVR Midstream provides natural gas gathering, dehydration, compression, processing, transportation and related services to its customers.



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OPERATING REGIONS

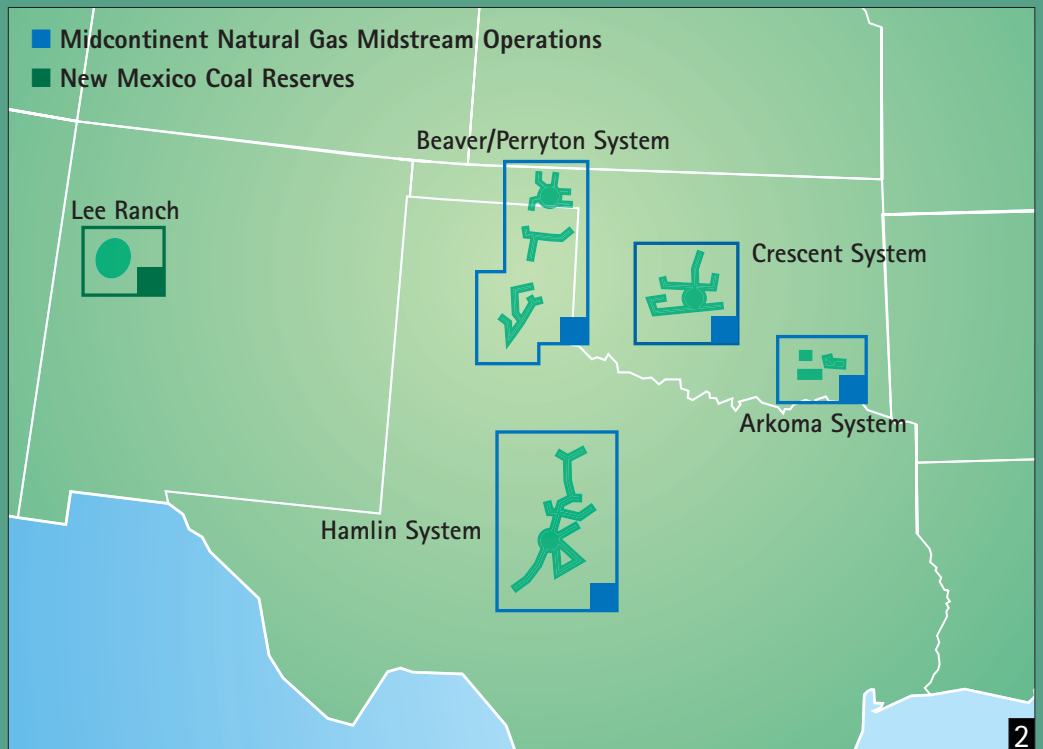
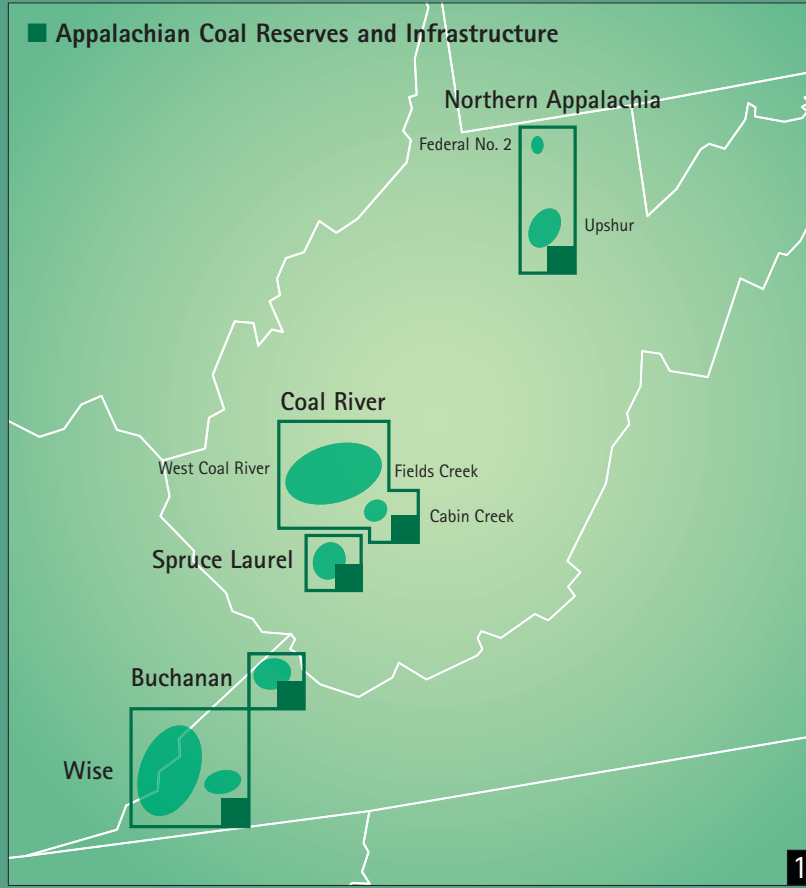


PVR Coal Land Management

- **Central Appalachia:** 446MM tons of high quality reserves; 61 mines served by two major railroads and inland river system.
- **Northern Appalachia:** 44MM tons of mid to high sulfur coal, principal lessee is Peabody Energy.
- **New Mexico:** 68MM tons of mid sulfur coal mined by Peabody and railed to several utilities.

PVR Midstream Operations (2005 PVR Acquisition)

- **Four systems – Beaver, Crescent, Hamlin and Arkoma:** 3,400 miles of gathering systems and three NGL processing plants with a total of 160 MMcfd capacity.



PARTNERSHIP INFORMATION



L-R, top row:
John P. DesBarres,
Keith D. Horton,
Keith B. Jarrett,
Edward B. Cloues, II,
James R. Montague

L-R, bottom row:
Nancy M. Snyder,
A. James Dearlove,
Frank A. Pici

not in photo:
Richard M. Whiting

DIRECTORS

A. James Dearlove

Chairman of the Board and Chief Executive Officer of the General Partner and Chief Executive Officer and President of Penn Virginia Corporation

Edward B. Cloues, II²

Chairman and Chief Executive Officer of K-Tron International, Inc. and Director of Penn Virginia Corporation

John P. DesBarres^{1,2,3}

Private Investor. Former Chairman, President and Chief Executive Officer of Transco Energy Company

Keith D. Horton

President and Chief Operating Officer of the General Partner and Executive Vice President of Penn Virginia Corporation

Keith B. Jarrett^{1,2,3}

Chairman, Rockport Funding, LLC and Founder and Former Chief Executive Officer of Thomson Financial Ventures

James R. Montague^{1,2,3}

Retired. Former President of Encana Gulf of Mexico, LLC and former President of IP Petroleum Company and GCO Minerals Company

Frank A. Pici

Vice President and Chief Financial Officer of the General Partner and Executive Vice President and Chief Financial Officer of Penn Virginia Corporation

Nancy M. Snyder

Vice President and General Counsel of the General Partner and Senior Vice President, General Counsel and Corporate Secretary of Penn Virginia Corporation

Richard M. Whiting

Executive Vice President – Sales, Marketing and Trading of Peabody Energy

1 Member of the Audit Committee

2 Member of the Compensation and Benefits Committee

3 Member of the Conflicts Committee

MANAGEMENT

A. James Dearlove

Chief Executive Officer

Keith D. Horton

President and Chief Operating Officer

Frank A. Pici

Vice President and Chief Financial Officer

Nancy M. Snyder

Vice President and General Counsel

Ronald K. Page

Vice President, Corporate Development

Forrest W. McNair

Vice President and Controller

MAJOR SUBSIDIARIES

Penn Virginia Operating Co., LLC

PVR Midstream LLC

Fieldcrest Resources, LLC

Suncrest Resources, LLC

TRANSFER AGENT AND REGISTRAR

**American Stock Transfer
and Trust Company**

Mailing Address:

59 Maiden Lane

New York, NY 10038

Telephone: (800) 937-5449

Facsimile: (718) 236-2641



Three Radnor Corporate Center
Suite 230
100 Matsonford Road
Radnor, PA 19087

(610) 687-8900 phone
(610) 687-3688 fax
Web site: www.pvresource.com

