

PINNACLE ENTERTAINMENT, INC.
ANNUAL REPORT 2005



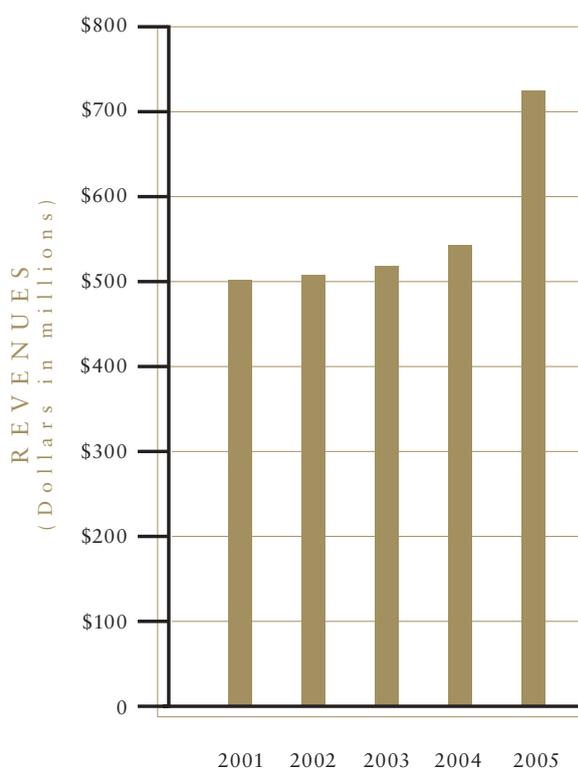
PINNACLE COMES OF AGE

FINANCIAL HIGHLIGHTS

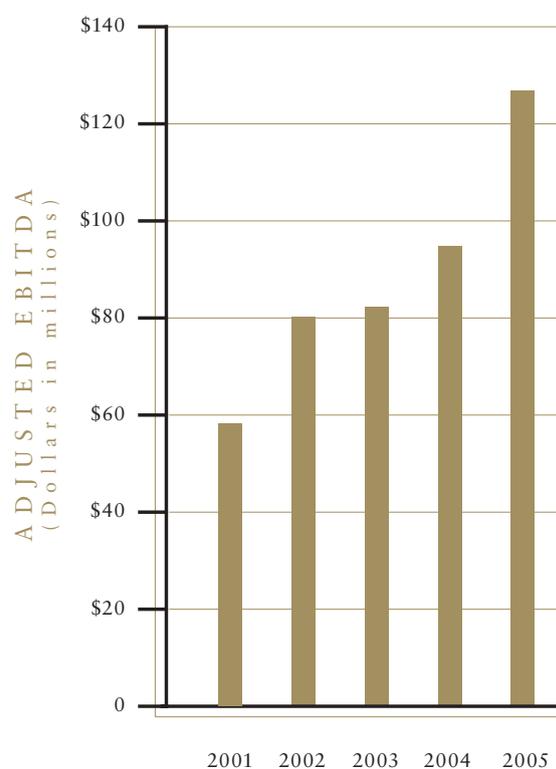
The Company's performance in 2005 demonstrated the benefits of both diversification and a carefully executed development strategy.

(Dollars in Millions)	2003	2004	2005
Total Revenues*	\$524.2	\$547.1	\$725.9
Adjusted EBITDA**	\$85.6	\$95.4	\$128.0
Operating Income*	\$34.4	\$77.5	\$37.2
Cash Flow from Operations	\$55.4	\$30.4	\$61.7
Cash and Equivalents	\$229.0	\$287.8	\$156.5
Total Assets	\$954.9	\$1,208.8	\$1,244.9
Stockholders' Equity	\$200.9	\$415.2	\$427.8
Shares Outstanding	23.9	40.5	41.0

TOTAL REVENUES*



CONSOLIDATED
ADJUSTED EBITDA**



*Excluding discontinued operations.

**Before non-routine items and excluding discontinued operations.



“Like a living thing, our company is constantly changing and evolving.”

— *Daniel R. Lee*
Chairman & CEO

DEAR FELLOW SHAREHOLDERS

This has been an extraordinary year for us on many fronts. Our company has experienced growth, beginnings, catastrophes, and the promise of exciting future developments. Like a living thing, our company is constantly changing and evolving, grasping and surmounting the rewards and challenges that come along the way.

We do not seek growth and change for their own sake. We do so because, managed properly, growth and the evolution of our company provide superior shareholder returns and exceptional opportunities to attract and develop the best employees. These employees in turn help us operate highly competitive properties and make solid contributions to our communities.



Of all of our accomplishments this past year, we are most proud of the opening of L'Auberge du Lac, our new resort in Lake Charles, Louisiana. L'Auberge opened May 26 with brilliant fireworks and a grand black-tie gala. This luxurious resort captures the easy ambience of the Texas hill country, offering 743 guestrooms and suites, a large single-level casino, an 18-hole Tom Fazio golf course, and a full-service spa. It has already become the leading riverboat casino in Louisiana.

We've been especially gratified by the public's response to L'Auberge, particularly from the nearby Houston metropolitan area. We're already planning an expansion of the property, with approximately 250 guestrooms scheduled to open in 2007.

On a less pleasant note, the year's deadly hurricanes swept New Orleans and the Mississippi Gulf Coast to worldwide attention in 2005. The disaster left tens of thousands homeless and a great American city submerged. It has indelibly changed the entire region. Our company was hit hard by the storms. Thousands of our employees were displaced and the storms caused hundreds of millions of dollars in damage to our properties. Fortunately, to our knowledge, all of our employees survived the storms.

In the face of devastation, the Big Easy is now proving its resiliency. Our Boomtown New Orleans property is located about 10 miles from downtown New Orleans, on the West Bank of the Mississippi River, and was spared the worst of Katrina's effects. Still, the property sustained moderate damage and remained closed for approximately five weeks. Our employees worked around the clock, cleaning and repairing the property, offering food and shelter to emergency personnel, and bringing a small measure of normalcy to our community.

Boomtown New Orleans was among the first businesses in the entire region to reopen. Remarkably, the property reported record operating results for the fourth quarter, which translated into a record year. We expect those results to decline somewhat in the quarters ahead, as the region continues to recover and competing casinos reopen.

In recognition of the rebirth and growth of the West Bank, we are expanding our casino and are planning to build our first hotel at this property, with approximately 200 guestrooms and an opening in late 2007.

Within four months of its opening, L'Auberge du Lac faced Hurricane Rita, a huge storm that passed directly over Lake Charles in late September. Fortunately, the property stood up well to the storm. The city itself, however, was hard hit by flooding and power loss. Again, our employees rallied quickly to turn the property into a local command center for law enforcement, utility crews and other essential workers. During that period, we housed hundreds of reconstruction and security workers, served more than 20,000 meals and otherwise made do under difficult post-hurricane conditions. We partially reopened the resort to the public on October 8 and reopened all of our amenities by the end of the month.

Further inland, Boomtown Bossier escaped with little storm damage. Our Bossier employees quickly mobilized to help our harder-hit properties and made a major contribution to our relief efforts. Our business in Bossier City, however, was affected in other ways. The twin storms and the news coverage were a major distraction to our customers throughout the region. Our hotel in Bossier City also accommodated many evacuees from the storms and, understandably, they gambled less than our usual clientele.



Wade W. Hundley
President

Alain Uboldi
Chief Operating Officer

Stephen H. Capp
Executive Vice President
Chief Financial Officer

John A. Godfrey
Executive Vice President
General Counsel & Secretary

Cliff Kortman
President
Pinnacle Design & Construction

Our greatest loss occurred in Biloxi. Casino Magic Biloxi and its neighboring casinos bore the worst of Katrina's violence. Our casino barge was torn off its supports and swept inland, making it a total loss. The land-based hotel facility also sustained extensive damage and remains closed.

Fortunately, we are insured. Our coverage should provide for a substantial part of the cost of reconstructing the facility, depending on the scale of the potential project, and reimburse us for the interim business interruption. We have been calculating our insurance claims, which we believe are substantially in excess of \$300 million. To date, the insurance companies have advanced us \$50 million against ultimate resolution of the claims. Meanwhile, we have been designing for the potential reconstruction of the property so that if and when we do decide to move forward and the insurance companies have provided us with sufficient funds to complete reconstruction, we can do so without undue delay.

Our Belterra casino resort had another excellent year, with revenues rising 8.6% and EBITDA* increasing 24.6%. We've decided to add another hotel tower to the complex, with approximately 250 guestrooms. With a total of 858 guestrooms, we believe that Belterra will be the largest hotel in the tri-state area of Indiana, Ohio and Kentucky.

* See endnote in Financial Overview for reconciliation of EBITDA before non-routine items to net income.

Our Reno property also showed growth in the year, with revenues growing 4.3% and EBITDA rising 1.3%. We've entered into an agreement with Cabela's Retail, Inc. for construction of a large retail store featuring outdoor sporting goods near our casino hotel. When it opens in 2007, we believe it will drive significant incremental traffic to our facility.

We also opened a replacement facility in Neuquén, Argentina in July. The new property, located on company-owned land, offers an expanded, more luxurious experience than our prior leased facility located about a mile away. Customer response has been very good since opening.

We broke ground on our downtown St. Louis development in September. The \$350 million project includes a casino, luxury hotel, spa and other amenities, and is scheduled to open in 2007. We also purchased the Embassy Suites hotel adjacent to our site and additional land, and formed a joint venture for a nearby luxury condominium project.



In early 2006, we reached an agreement to purchase the nearby President Casino, a dockside riverboat casino that has been operating in bankruptcy. Such agreement is subject to overbid and other conditions typical of bankruptcy proceedings. Our intent in purchasing the President is to, among other things, obtain a customer list for the St. Louis region and a staff of trained, licensed employees who can help us open our new facilities.

We have also begun site work on our \$375 million St. Louis County project. Located in the community of Lemay, the "River City" development will feature a casino, hotel, retail and entertainment complex, as well as a public park, bowling alley and other community amenities. We currently expect River City to open in 2008, about a year after our opening in downtown St. Louis.

We are also developing a boutique casino next to the Four Seasons Hotel on the island of Exuma in the Bahamas. The small casino, budgeted at approximately \$5 million, is expected to open in the first half of 2006.

We also continue to seek promising new projects to put into our development pipeline. In December, we submitted a bid for one of two gaming licenses in Philadelphia, Pennsylvania. If selected, we plan to build a casino with approximately 3,000 slot machines, several bars and restaurants, a multiplex movie theatre and other amenities. The first phase, including a \$50 million gaming license fee, will cost between \$250 million and \$400 million. Pennsylvania is expected to select among the five applicants in Philadelphia near year-end 2006.

Internationally, we submitted bids for two of 17 remaining gaming licenses available in Chile. Our proposed site in Antofagasta would include a casino with approximately 400 slot machines, a boutique hotel, spa, restaurants and meeting space. In Rancagua, located 45 minutes away from Santiago, our proposed development would include a casino with 400 slot machines, a boutique hotel, restaurants and meeting space. These will be managed by our team in Argentina, which has had great success with such regional casino operations.

As we evolve, we regularly evaluate our operations to ensure that they fit well with our current and future plans. In December 2005, we made a strategic decision to sell our two card clubs in California. The Los Angeles-area clubs had been leased to an independent operator because of complexities in state law that effectively make it impossible for a public company to operate such card clubs. We prefer to focus our business on operations that we can own and manage directly. We also concluded that the card clubs had limited growth potential and that we could sell them at a favorable price because of their underlying real estate values. We expect to close the sales of the card clubs and related assets in the first half of 2006.

Finally, as this annual report went to press, we reached an agreement to purchase Aztar Corporation in a transaction having a value of approximately \$2.1 billion, including refinancing of Aztar debt. Such an agreement is contingent on approval of Aztar shareholders and other conditions, including regulatory approvals.

The Aztar transaction, if consummated, will transform Pinnacle into a true national network of casinos. Pinnacle's facilities are primarily along the Mississippi River basin in the central U.S. and in northern Nevada. Aztar's are primarily in southern Nevada and Atlantic City, New Jersey. Aztar also has casinos in Indiana and Missouri, but far from Pinnacle's existing and planned facilities. The two companies do not directly compete in any market. By combining the companies, we can offer our customers a broad range of gaming experiences and the employees of both companies will have a broad range of opportunities for advancement.

Ordinarily, we prefer to build rather than buy. Aztar, however, is unique, as its aged Las Vegas facility occupies 34 acres of prime real estate along the Las Vegas Strip. By acquiring Aztar, we also obtain the opportunity to build a major Las Vegas casino that would anchor our entire network. Hence, the planned acquisition is actually also largely about building.

Once again, I would like to thank our investors, lenders, customers, employees and communities for their support. We will continue to work hard to fulfill the many promises that we have made to each of you.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. R. Lee', with a stylized flourish at the end.

Daniel R. Lee
Chairman and Chief Executive Officer
March 23, 2006

L'Auberge[®]
du Lac
HOTEL & CASINO
LAKE CHARLES, LA

L'Auberge du Lac, which celebrated its opening May 26, 2005, has captured the imagination of discriminating guests throughout the southern Louisiana/East Texas market.





PINNACLE'S NEWEST PROPERTY, located in Lake Charles, Louisiana, has quickly become a favorite among visitors from Houston as well as from Dallas, San Antonio, Austin and nearby Beaumont.

Our new resort's striking features and amenities have drawn accolades from leisure and business travel experts. Travel + Leisure Golf recognized L'Auberge as its "Most Notable Debut." Texas Golfer magazine named the resort and its Contraband Bayou Golf Club's 18-hole championship golf course "Best Resort in Louisiana."

"BEST RESORT IN LOUISIANA."

-TEXAS GOLFER MAGAZINE

L'Auberge offers 24-hour gaming action on the state's only single-deck riverboat casino. Our Jack Daniel's® Bar & Grill won "Best New Restaurant" honors in Lagniappe Magazine's annual Readers Choice "Best of Lake Charles" contest. The inviting pool area, with its private villas and lazy river, won laurels in Trip Advisor Travelers' Choice Awards "Best Pool in the U.S." category. Similarly, the Snake River Grill, direct from Jackson Hole, Wyoming, has been receiving juicy accolades for its award-winning cuisine.

Even a brief hurricane-related closure in October didn't dampen L'Auberge's popularity among visitors and locals alike. To expand on our success, we plan to open an additional 250-guestroom hotel tower in fall of 2007, which will increase the resort's capacity to nearly 1,000 guestrooms and suites. It is already the largest hotel in Louisiana outside of New Orleans. We invite you to enjoy L'Auberge's relaxed, welcoming atmosphere on your next visit to the southern Louisiana area.



FLORENCE, IN

Located in Switzerland County, midway between Cincinnati and Louisville, Belterra attracts guests from a population of more than 53 million people living within 300 miles.





BELTERRA EMBODIES THE beautiful land surrounding it in the verdant Ohio River Valley. This destination gaming resort draws regional visitors seeking gaming excitement, a weekend getaway, memorable social events, or full-service business and meeting facilities in a casually elegant environment. The success of its \$37 million expansion, which opened in mid-2004, has helped to make Belterra one of our Company's most important and profitable properties.

BELTERRA IS NOW HIGHLY PROFITABLE, AND BEING EXPANDED AGAIN.

Beltterra's amenities have made it one of the region's most popular gaming resorts. Its 608 guestrooms are complemented by the region's best meeting facilities, showroom, spa, swimming pool and championship golf course designed by master golf architect Tom Fazio. The "Miss Belterra" riverboat casino offers round-the-clock excitement with more than 1,600 slot machines and 56 table games. And an enhanced retail experience keeps shopaholics smiling, including a new floral shop. Food connoisseurs love to congregate at Jeff Ruby's Steakhouse.

To build on our momentum, we plan to add a \$45 million, 250-guestroom tower, opening fall of 2007. The expansion will increase the total guestroom base to more than 850, making Belterra, we believe, the largest hotel in the Indiana, Ohio and Kentucky region.



BOSSIER CITY, LA

More than 9.2 million people live within a 200-mile radius of Boomtown Bossier City.

BOOMTOWN BOSSIER CITY, one of the most exciting casinos in the Shreveport/Bossier City market, welcomes visitors with its themed riverboat casino. The property is highly visible from Interstate 20, the major highway from the important Dallas/Ft. Worth metropolitan market.

Boomtown Bossier City has a 33,000-square-foot casino, 188-guestroom hotel, four restaurants, meeting space, inviting restaurants and ample parking. The property, which was renamed and expanded in 2002, features 1,200 slots and more than 30 table games for nonstop gaming fun.

Although the Shreveport/Bossier City gaming market has felt the competitive effects of major Native American casinos in Oklahoma and slot machines at a regional racetrack, Boomtown Bossier City has worked hard to boost operating efficiencies. The severe hurricanes also affected results as the Boomtown staff helped its regional sister properties recover from the storms and its hotel accommodated evacuees who, understandably, gambled less than its usual clientele. Nevertheless, results for the year nearly equalled the prior year.





NEW ORLEANS, LA

NEW ORLEANS FACED THE GREATEST challenge in its history in August 2005 when Hurricane Katrina ravaged the Gulf Coast region. The season's deadly storms left many homeless, caused billions of dollars' worth of damage, and strained the courage and resolve of local citizens. Fortunately, to our knowledge, no guests or employees at Pinnacle properties were casualties, but the lives of many and our neighborhoods and communities were changed forever. Boomtown New Orleans, the only casino located on the West Bank area of the Mississippi River, generally did not suffer from the extensive flooding that damaged much of the city. Although the property was closed for approximately five weeks, our employees rose to the occasion, helped to repair the storm damage and reopen Boomtown New Orleans in early October.

REVENUES HAVE RISEN SIGNIFICANTLY SINCE THE OCTOBER REOPENING.

The dockside riverboat gaming complex features a 30,000-square-foot casino, three restaurants, an entertainment venue, a fun center, and meeting and conference space. Although the storm-related closure affected third-quarter results, revenues have risen significantly since the October reopening.

Reflecting the growth of our West Bank neighborhood, we are expanding our casino and plan to build a \$30 million, 200-guestroom hotel adjacent to the casino on our 54-acre site. The casino expansion is nearly complete and the hotel is scheduled to open in late 2007.





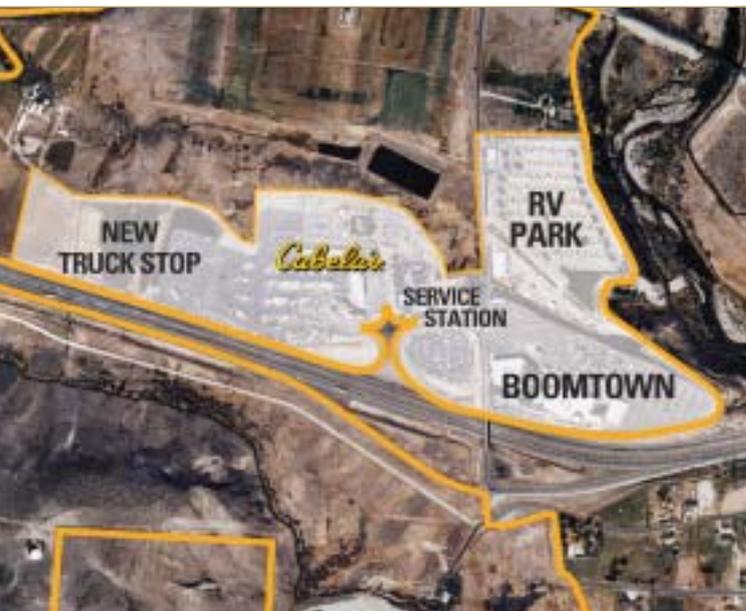
RENO, NV

Set against the majestic backdrop of the Sierra Nevada, Boomtown enjoys an easily accessible location along Interstate 80, one of our nation's busiest highways.

SINCE ITS OPENING 36 YEARS AGO, Boomtown Reno's western-style ambience and hospitality has been attracting locals, truckers and drive-in visitors from northern California.

Boomtown Reno offers a full range of amenities, including 318 guestrooms, a 24-hour casino, four restaurants, an 80-seat lounge, an RV park, two large service stations, a truckers' annex and a mini-mart. It also offers a year-round indoor pool, meeting and conference space, a fun center and other amenities.

To enhance Boomtown Reno and capitalize on our extensive real estate holdings, we have agreed to sell approximately 30 acres to Cabela's® Retail, Inc., for construction of a major retail store. We believe Boomtown's location is an ideal spot for Cabela's® well-known mix of sporting, camping, fishing and hunting goods, and that the new store will drive incremental business to our casino hotel. We continue to seek additional synergistic development opportunities for over 500 acres of surrounding developable land.





ARGENTINA

WE REACHED NEW LEVELS OF EXCITEMENT with the July 2005 opening of a new \$15 million casino in Neuquén, a city of approximately 350,000. The new property, which is located on 20 acres of company-owned land about one mile from our former leased facility, features a large restaurant, several bars and an entertainment venue. The larger, more luxurious casino now offers visitors approximately 700 slot machines and 37 table games.

CASINO MAGIC ARGENTINA CONSISTS OF FOUR LAND-BASED CASINOS IN THE PATAGONIA REGION OF ARGENTINA.

Our second-largest facility, which attracts vacationers and locals in San Martin de Los Andes, features 113 slot machines and 13 table games. It is located in an idyllic resort community, at the base of one of South America's largest ski areas. Our third facility, which we began operating in 2003, is located in Junin de los Andes, a famed fly-fishing destination. We recently began operating the smallest of the four facilities, which is located in the hot springs resort of Copahue and has approximately 20 slot machines and one roulette table.



Biloxi, MS

On August 29, Hurricane Katrina smashed into the Gulf Coast with stunning violence.





THE DEADLY NATURAL DISASTER CAPTURED WORLDWIDE HEADLINES for the scope of its devastation, which left tens of thousands homeless and billions of dollars in property damage. For Pinnacle, the good news is that, to our knowledge, all of our employees survived Katrina.

Unfortunately, Casino Magic Biloxi sustained extensive damage. Our casino barge was destroyed after being torn loose from its moorings and thrown inland. The hotel tower, restaurants and other facilities suffered substantial damage as well. Many competing properties in the area also were damaged or destroyed. The entire neighborhood around us was devastated. Many of the homes of our employees and the principle bridge leading to our casino were also destroyed.

A HEARTFELT THANK-YOU TO ALL WHO PITCHED IN.

Immediately, employees from throughout the company began mobilizing to help out our fellow workers and their stricken communities. Volunteer workers, food and supplies arrived to augment relief efforts. Many of our employees worked long hours to bring aid, order and hope to the region. We're proud of those efforts, and owe a heartfelt thank-you to all who pitched in.

While we have not yet made a decision on whether to rebuild in Biloxi, we've already begun designing a potential new resort, so that we can move quickly once our decision is made. Meanwhile, we are working with our insurers and numerous government agencies to enable us to move forward and help the region recover.

NEW DEVELOPMENTS

THE CASINO IN THE CITY OF

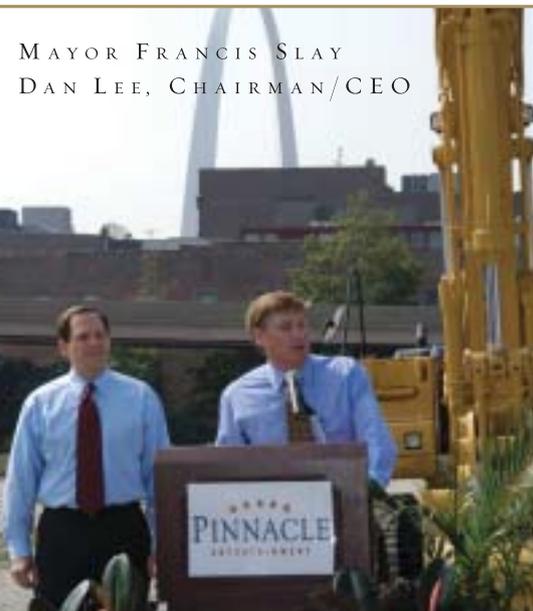
ST. LOUIS

Pinnacle is well underway with its two casino developments in the greater St. Louis area.

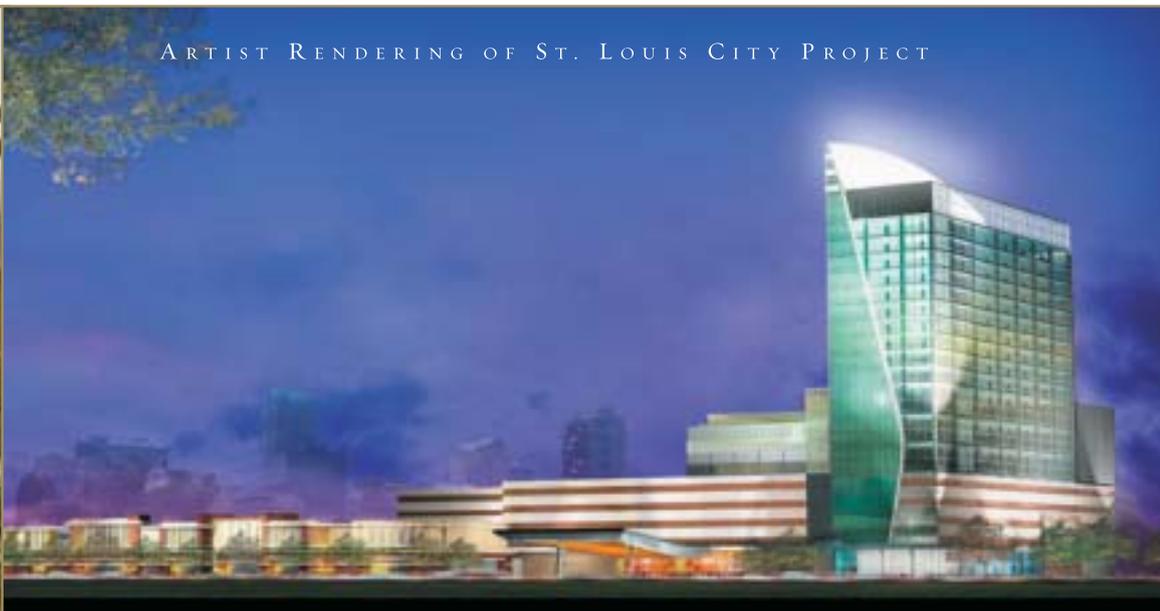
WE BELIEVE BOTH PROJECTS WILL SERVE AS CATALYSTS for local redevelopment, bringing new vitality, prosperity and economic development to downtown St. Louis and south St. Louis County.

In September 2005, we broke ground on our \$350 million St. Louis City project near historic Laclede's Landing and the Gateway Arch. The as-yet-unnamed project includes a 90,000-square-foot casino with 2,000 slot machines, a 200-room luxury hotel and spa, retail space, several restaurants, nightclub, business center and meeting and convention space. Pinnacle plans to build an additional \$50 million of residential, retail or mixed-use development in the city within five years of the opening of the casino/hotel. Accordingly, Pinnacle has agreed to develop with a joint-venture partner a \$25 million luxury condominium complex, which will overlook the Mississippi River and adjoin our company's 297-suite Embassy Suites® hotel. The main downtown complex is expected to open in the third quarter of 2007.

MAYOR FRANCIS SLAY
DAN LEE, CHAIRMAN/CEO



ARTIST RENDERING OF ST. LOUIS CITY PROJECT

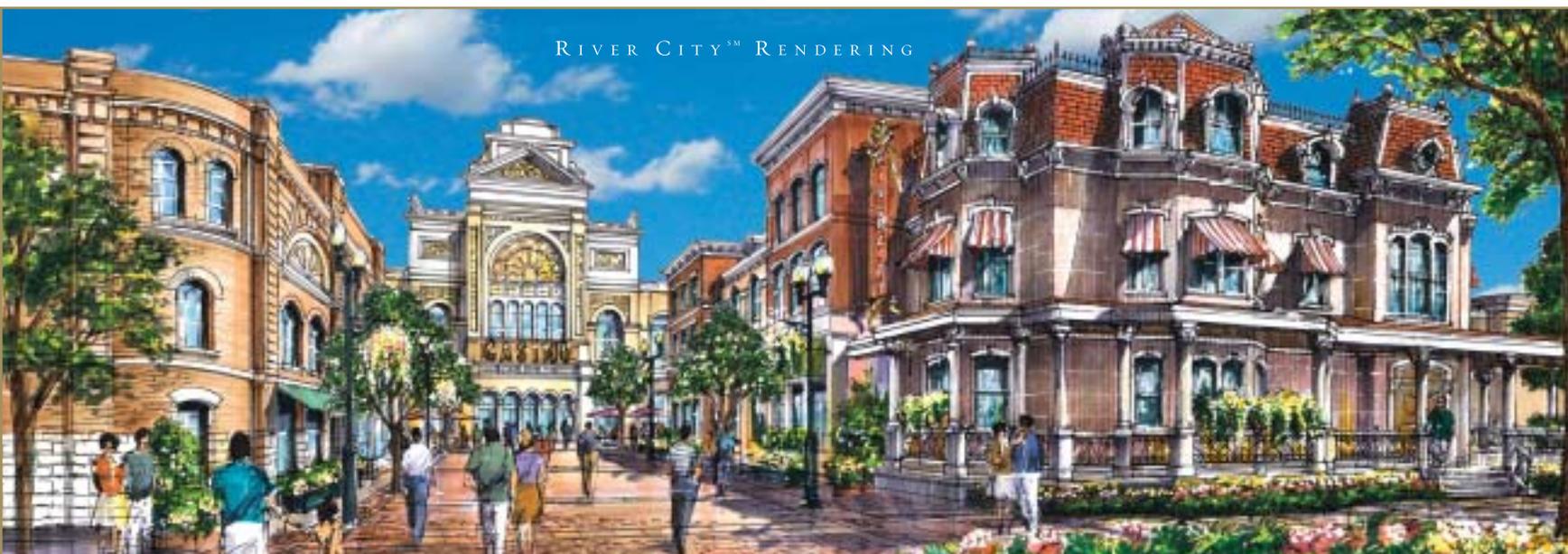


RIVERCITYSM
CASINO & HOTEL
ST. LOUIS COUNTY

IN NOVEMBER 2005, WE BEGAN SITE WORK on our project in the community of Lemay, approximately 10 miles south of downtown St. Louis. Pinnacle's \$375 million gaming and mixed-use complex, named River City, will be situated on 56 acres leased from St. Louis County.

PLANS INCLUDE A 100-GUESTROOM HOTEL,
FULL-SERVICE SPA, INDOOR SKATING RINK,
BOWLING ALLEY & MULTIPLEX MOVIE THEATRE.

Plans include a 90,000-square-foot casino with approximately 3,000 slot machines, a 100-guestroom hotel, full-service spa, indoor skating rink, bowling alley, multiplex movie theatre and extensive retail and entertainment space. We currently expect River City to open in the third quarter of 2008.



NEW DEVELOPMENTS



THE CASINO AT
EMERALD BAY

GREAT EXUMA, THE BAHAMAS

IN EARLY 2006, WE BEGAN CONSTRUCTION of a gem of a casino that will be located adjacent to the beautiful Four Seasons Resort® Great Exuma at Emerald Bay in The Bahamas. This boutique 5,000-square-foot casino, which is budgeted at \$5 million, will enhance the island experience for visitors seeking gaming excitement to complement their Caribbean escape. The casino is scheduled to open in mid-2006.

“ITS SWEEPING OCEAN VISTAS AND TROPICAL BEAUTY
FRAME AN EXPERIENCE
UNIQUE IN THIS PART OF THE WORLD”

-FROMMER'S



PHILADELPHIA, PA

PINNACLE REGULARLY SEEKS growth opportunities that will strengthen our operating network and provide strong returns on investment. We're proud to maintain one of the best development pipelines in the gaming industry.

In December 2005, we applied for one of two available gaming licenses in Philadelphia, Pennsylvania, and entered into an option to purchase land along Interstate 95, just north of downtown Philadelphia in the historic Fishtown district. If selected among the five bidders, we intend to build a casino that would include approximately 3,000 slot machines, several bars and restaurants and a multiplex movie theatre. Eventually, the property could be expanded to include a hotel tower and include as many as 5,000 slot machines. The initial phase, including land and a \$50 million licensing fee, would cost between \$250 million and \$400 million.

CHILE

INTERNATIONALLY, WE SUBMITTED BIDS in August 2005 for two of 17 licenses made available by the government of Chile. Each license will permit the exclusive operation of a gaming facility within approximately a 40-mile radius.

Our first proposed site is in Antofagasta, an important regional center with a population of approximately 300,000. Our project, which would cost approximately \$24 million, would include a casino with approximately 400 slot machines, a 70-guestroom hotel, spa, two restaurants and meeting and convention space. The proposal was made in conjunction with a large retail complex being planned by a major Chilean developer. Our second site is in Rancagua, which is a 45-minute drive from Santiago's population of more than 6 million people. That project, which is budgeted at \$17 million, would include a casino with approximately 400 slot machines, a boutique hotel, spa, three restaurants, and meeting and convention space. We expect Chilean gaming authorities to select preferred developers in 2006.

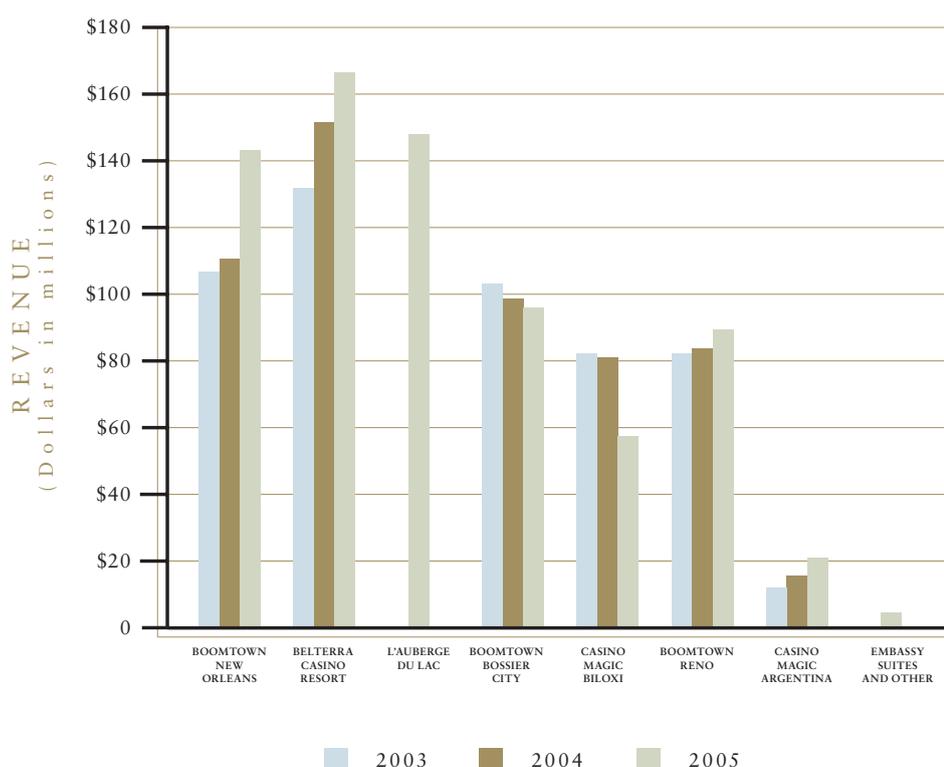


FINANCIAL OVERVIEW

OPERATING AND FINANCIAL RESULTS

The Company's operating performance in 2005 was excellent, considering that we opened two new properties, endured two major hurricanes and suffered the catastrophic loss of our Biloxi casino barge. As such, the Company's financial results last year demonstrated the resiliency of a well-diversified pool of assets.

REVENUES BY PROPERTY*



Pinnacle's EBITDA before non-routine items was \$128.0 million, up over 34% from \$95.4 million in 2004**. Belterra's results reflected a full year of expanded operations, with EBITDA increasing more than 24% to \$39.6 million in 2005 from \$31.8 million in 2004. The property's EBITDA margin improved three percentage points year-over-year, to over 23%. Boomtown Bossier City held the line with intense focus under still-challenging market conditions, delivering EBITDA of \$19.6 million in 2005, down only 5% from \$20.7 million in 2004.

Boomtown New Orleans had a terrific, if very challenging, year. EBITDA of \$51.4 million in 2005 was up nearly 60% over the prior-year EBITDA of \$32.2 million. Our New Orleans property, after Hurricane Katrina, was closed for approximately five weeks and incurred hurricane repair costs of approximately \$2.0 million. Nonetheless, with many regional casinos still closed and our West Bank neighborhood thriving since Katrina, Boomtown New Orleans performed very well for the year, and in particular the fourth quarter.

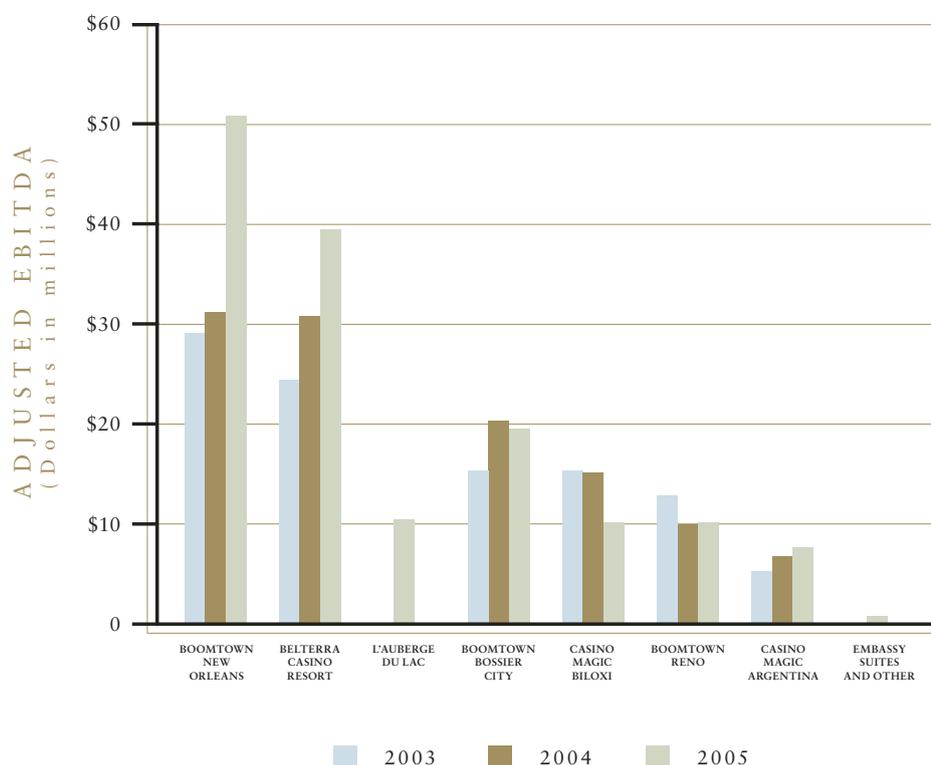
*Excludes two card club properties held for sale.

**See endnote in Financial Overview for reconciliation of EBITDA before non-routine items to net income.

FINANCIAL OVERVIEW

At our new flagship property L'Auberge du Lac, which opened in May of last year, revenue performance exceeded our expectations. Open less than eight full months, L'Auberge generated over \$148 million in total revenues. As a result of Hurricane Rita, L'Auberge was forced to close for approximately two weeks and incurred approximately \$4.5 million of storm repair costs, but reopened quickly and restored strong business levels. We are quite pleased with the strong customer response and the property's overall regional popularity. As planned before opening, we are now focused on managing costs and streamlining our marketing efforts.

ADJUSTED EBITDA BY PROPERTY*



Our Biloxi property was experiencing a pretty good year when Hurricane Katrina blew in and destroyed our casino barge. The property has been closed ever since while we examine our options and pursue insurance claims vigorously. To date we have received \$50 million of advanced insurance proceeds and are almost ready to file our claims for the remaining property damage and business interruption losses. We believe that those pending insurance claims represent a significant asset of our Company.

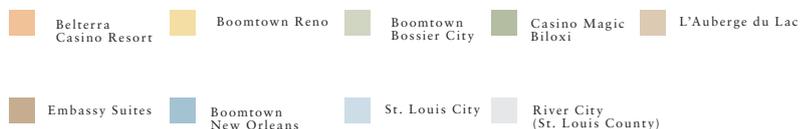
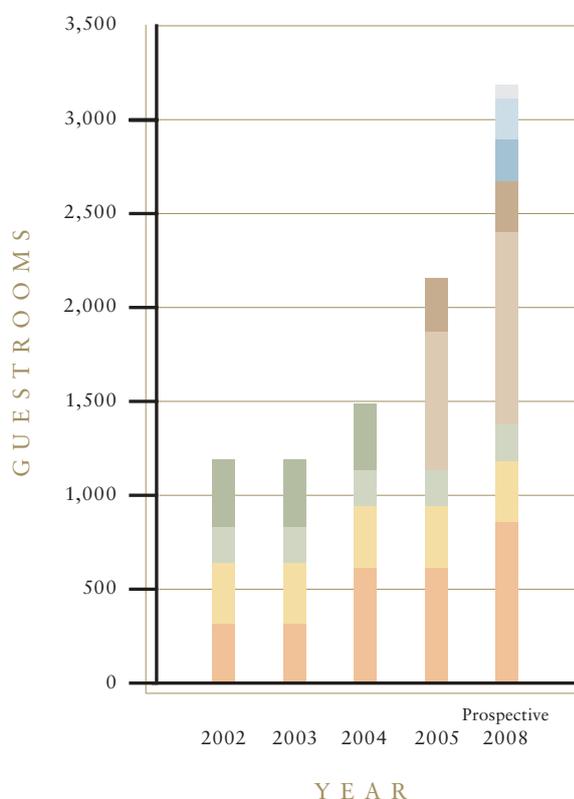
*Excludes corporate overhead, non-routine items and two card club properties held for sale.

FINANCIAL OVERVIEW

Boomtown Reno delivered a stable year-over-year performance. EBITDA for 2005 was \$10.4 million versus \$10.2 million in the prior year. We are looking forward to the future development of Cabela's very near to Boomtown Reno, which we believe will increase traffic through the area and boost our property's results.

Our Argentina operations experienced an exciting year. We completed construction of and opened our replacement casino facility in the city of Neuquén. Our personnel are still assimilating various operational changes at the new property, such as 24-hour gaming, but customer response to the new facility has been strong. EBITDA for 2005 was up over 10% at \$7.8 million compared to \$6.9 million in 2004.

NUMBER OF GUESTROOMS* (ACTUAL AND EXPECTED)



We reported our leased card club operations as discontinued, as we reached a decision late in 2005 to sell them. As the 2004 California voter referendum for slots in card clubs failed, and because California law makes it impractical for a public company to operate the card clubs, we have decided these operations do not fit our core business profile.

Although we did a better job this year of managing the process and costs of compliance with Sarbanes-Oxley requirements, the resources committed were many and the costs still quite high. We believe the costs of this legislation vastly outweigh the benefits.

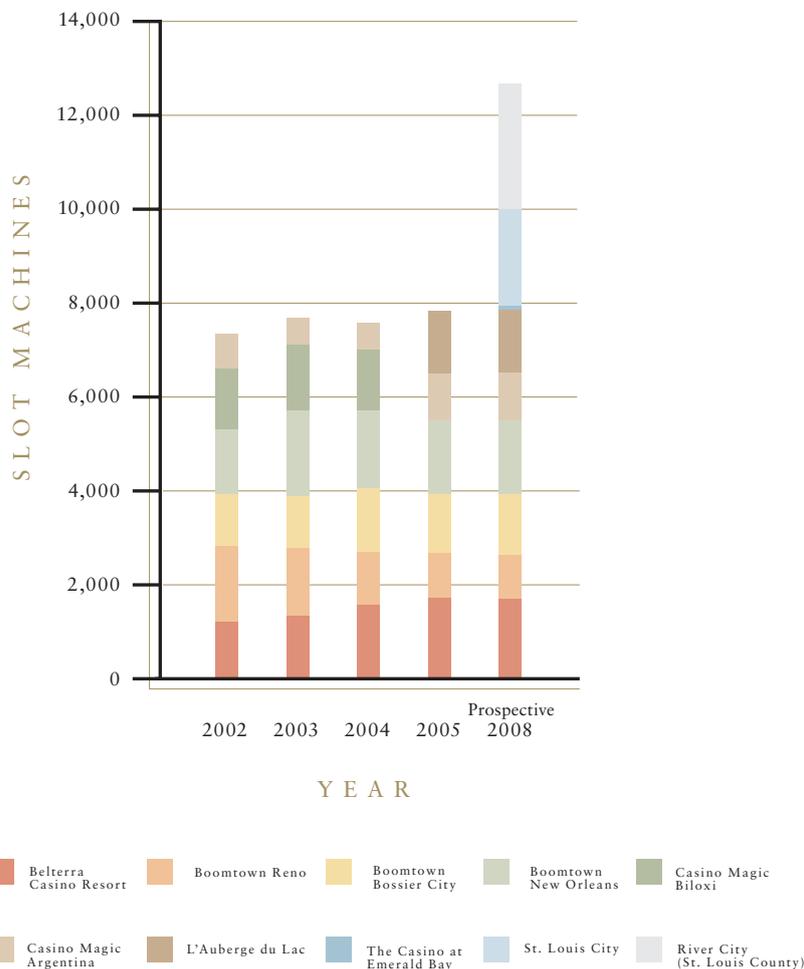
Our fundamental goals remain the rapid growth of the Company and its profitability. Our tactics, however, have become a bit more dynamic.

*2005 and Prospective 2008 figures do not include Casino Magic Biloxi, which is not currently operating due to Hurricane Katrina. All figures above exclude Crystal Park, which the Company currently has an agreement to sell.

FINANCIAL OVERVIEW

Last year we stated that we prefer to build rather than buy. That remains true. However, sometimes it makes sense to buy certain assets where they relate to development plans. Our acquisition of the Embassy Suites Hotel – St. Louis-Downtown, for example, complements our downtown St. Louis project by combining this adjoining mid-level hotel product with the high-end hotel we’re constructing along with the casino, restaurant and entertainment amenities. Likewise, our offer to purchase the President riverboat casino, located very near our downtown St. Louis site, would bring a number of operating benefits we would not otherwise realize for some period of time following the opening of our new casino-hotel property.

NUMBER OF SLOT MACHINES*
(ACTUAL AND EXPECTED)



On the development front, we broke ground in late 2005 on that bigger and as-yet-unnamed St. Louis City project, which is starting to “go vertical” at this writing. Also in 2005, we began construction of our St. Louis County project, named River City. We have also made significant progress securing certain land and permits for construction of the required access road to the site. We are planning to open our casino in the Bahamas at Great Exuma in mid-2006. Finally, we’re now in the design phase of the three hotel projects we announced in January 2006 at our existing properties.

Throughout 2005, we continued to maintain a relatively high cash position. We ended the year with \$156 million. Approximately \$50 million of this represents operating cash necessary for the business. The balance is, in essence, dedicated to development uses. We’re not quite big enough relative to our development projects to fund all of such construction through revolving credit facilities.

*2005 and Prospective 2008 figures do not include Casino Magic Biloxi, which is not currently operating due to Hurricane Katrina.

FINANCIAL OVERVIEW

So instead we must fund term loans, invest the proceeds, and incur a negative carry to have such amount available in the future. This is more expensive than simply carrying an unfunded revolver. As we grow in size, we are gaining access to more efficient credit and capital. As a result, we more than tripled the size of our bank revolver in December 2005, to \$450 million from \$125 million. We continue to try to optimize our financial strategy to most efficiently support our goals of growing the Company and its profitability.

Net cash provided by operating activities, as reported in our statements of cash flows, was \$61.7 million for 2005. Our core operating activities are a significant source of cash for the Company. Our large depreciation charges and the preopening costs from new facilities camouflage on our income statement the fact that we consistently produce significant positive cash flow from operations.

In addition, during 2005 we did not pay current federal income taxes. In fact, in recent years, the income tax system has been a source of funds for our company, as the tax losses generated from current development activities have been carried back to generate refunds from tax years when the company built less and paid taxes. We continue to maintain a very favorable federal income tax position as a result of our ongoing development activities. New hotels result in high tax-depreciation deductions, especially early in their depreciable lives. The Gulf Opportunity Zone Act of 2005 will further augment such favorable depreciation treatment. That act is designed to encourage reconstruction of non-gaming facilities in the hurricane-stricken regions and much of our planned expansion and reconstruction activities in Louisiana and Mississippi should qualify. Furthermore, our use of debt capital to fund such development results in high interest deductions. During 2005, we generated approximately \$10 million in federal net operating losses (“NOLs”), and had accumulated approximately \$63 million in total at year-end. We intend to carry forward these federal NOLs to offset expected future federal taxable income. To the extent possible, our operating and financial strategies are designed to minimize current federal cash taxes paid, particularly given our current development profile. That should help optimize the returns we generate for our shareholders.

Our ability to plan and minimize our income tax bill does not mean that we do not pay taxes or contribute to our communities. To the contrary, we pay very large gaming and real estate taxes in every jurisdiction where we operate. Our total state and local taxes paid or accrued in 2005 were \$192.2 million, more than we actually earned and a reflection of the highly taxed nature of our regulated industry.

CAPITAL STRUCTURE

In years 2003 and 2004, we executed numerous financings to align our Company’s balance sheet with our goals and plans. We continued this in 2005. In February 2005, we completed the \$65 million refinancing of our 9.25% senior subordinated notes using funding from our bank facility. And although our operations were affected significantly by the hurricanes of the third quarter last year, our team rallied quickly and restored operations at two of three properties affected. That set the stage to execute a new \$750 million bank financing in December. With this financing we achieved a much larger credit facility, lower interest spreads and greater flexibility than we had under our prior arrangement.

FINANCIAL OVERVIEW

Debt financing is an exceptionally useful tool for growing a company, generating tax deductions and enhancing shareholder returns. But like most things in life, moderation is critical. So when we announced plans in January 2006 for three major hotel projects at our three largest properties, we issued 6.9 million shares of common stock, raising approximately \$179 million of net proceeds. This combination of incremental debt and equity supplements our financial resources from operations as we move forward with our two major projects in St. Louis and the three new hotel projects.

At December 31, 2005, our debt structure was comprised of the \$300 million 8.25% senior subordinated notes due 2012, the \$135 million 8.75% senior subordinated notes due 2013, and the \$750 million senior secured credit facility. The credit facility is comprised of a \$450 million five-year revolver, of which \$20 million was funded at year-end, and a \$300 million seven-year term loan, \$200 million of which was funded and \$100 million can be funded at any time prior to July 2, 2007.

LIQUIDITY

Our company finances are very liquid, as is appropriate for a company experiencing such rapid growth. At year-end, we had \$156 million of cash and cash equivalents and approximately \$450 million of availability under our bank credit facility. Currently, our ability to access all of that credit facility is constrained by a bond indenture requiring a 2:1 ratio, as defined, of EBITDA to interest expense. We believe that we will attain that ratio threshold in the near future. Also, in early 2006 we issued 6.9 million shares of common stock at \$27.35 per share, resulting in net proceeds to the Company of approximately \$179 million. Lastly, we recently (in early 2006) received an additional \$25 million of insurance advances related to the Biloxi property. At such time, we paid off temporarily our revolving credit facility. Pro forma for the equity offering, the insurance advance and satisfaction of 2:1 ratio, our cash and available credit facilities today total over \$750 million.

Financially speaking, achievement of our goals for the Company will require ongoing strength and agility. Again in 2005 as in prior years, we have expanded our financial base and further prepared our balance sheet for the ongoing growth of the Company. We started this growth phase with the expansion of Belterra. It continued with the opening of L'Auberge, and we are now looking forward to two very exciting projects in the St. Louis area, even as we actively seek that post-2008 project. We will remain opportunistic for attractive financing opportunities to assure financial preparedness for our exciting future.

AZTAR

As this annual report went to press, we reached an agreement to acquire Aztar Corporation, another gaming company approximately our size. Such agreement is contingent on approval of Aztar shareholders and other conditions, including regulatory approvals. We hope to consummate the transaction by year-end 2006.

In many ways, Aztar is a perfect fit for Pinnacle; there are absolutely no overlaps between the existing properties of the two companies, making it easier to obtain antitrust and regulatory approval. The merger creates a combined company that is much larger and more diverse than either company alone.



BOARD OF DIRECTORS

John Giovenco (b)(d) - Retired Gaming Executive • **Bruce Leslie** (b)(e) - Attorney • **Richard Goeglein** (c) - Owner, Evening Star Hospitality, LLC (Hotel Development, Ownership & Management), Former Gaming Executive • **Daniel R. Lee** (a) - Chairman of the Board/CEO • **Timothy Parrott** (a)(d)(e) - Chief Executive Officer, On-Stage Entertainment (Entertainment Production Company) • **Lynn Reitnouer** (a)(c)(e) - Partner, Crowell, Weedon & Co. (Stock Brokerage Firm)
James Martineau (c)(d) - Private Investor • **Michael Ornest** (b) - Private Investor

(a) Executive Committee (b) Audit Committee (c) Compensation Committee (d) Nominating Committee (e) Compliance Committee

OFFICERS

Daniel R. Lee
Chairman/Chief Executive Officer

Wade W. Hundley
President

Alain Uboldi
Chief Operating Officer

Stephen H. Capp
Executive VP, Chief Financial Officer

John A. Godfrey
Executive VP, General Counsel
& Secretary

Christopher K. Plant
VP, Investor Relations, Treasurer
& Assistant Secretary

ANNUAL REPORT ON FORM 10-K

A copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, will be furnished without charge to any stockholder upon written request to:

Investor Relations
Pinnacle Entertainment, Inc.
3800 Howard Hughes Parkway
Las Vegas, NV 89109

TRANSFER AGENT AND REGISTRAR

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New York, NY 10038
800.937.5449
www.amstock.com

INDEPENDENT AUDITORS

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Las Vegas, NV 89109

LEGAL COUNSEL

Irell & Manella LLP
1800 Avenue of the Stars
Los Angeles, CA 90067

TRUSTEE OF SENIOR SUBORDINATED NOTES

The Bank of New York
Trust Company, N.A.
700 S. Flower Street,
Suite #500
Los Angeles, CA 90017

SECURITIES INFORMATION

Pinnacle Entertainment, Inc.
stock trades on the New York
Stock Exchange under
the symbol PNK.

PROPERTIES

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Harvey, LA 70058
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www.boomtownneworleans.com

Boomtown Reno
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Great Exuma, The Bahamas
242.358.4634

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Teodoro Planas 4005
Q8304ENU25 Neuquén - Argentina
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www.casinomagic.com.ar

Casino Magic Copahue
Doctor Herrero Ducloux S/N
Copahue
8349 Neuquen - Argentina
54.249.849.5176

Casino Magic San Martín de Los Andes
Villegas y Elordi
8370 - San Martín de Los Andes
Neuquén - Argentina
54.297.242.7142

Casino Magic Junin de Los Andes
La Madrid #40
Junin de Los Andes
Neuquén - Argentina
54.297.249.1461

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901 North First Street
St. Louis, MO 63102
314.241.4200

L'Auberge du Lac Hotel & Casino
777 Avenue L'Auberge
Lake Charles, LA 70601
337.395.7777
www.ldlcasino.com

St. Louis City and County Projects
Raeder Place
727 North First Street
Suite #500
St. Louis, MO 63102
314.450.5000

CEO and CFO Certifications - The Company has filed with the SEC as exhibits to its 2005 Annual Report on Form 10-K the certifications of the Company's Chief Executive Officer and its Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) of the Securities Exchange Act of 1934, regarding the Company's financial statements, disclosure controls and procedures and other matters. In addition, on June 3, 2005, the Company submitted to the NYSE the annual certification of the Company's Chief Executive Officer required under Section 303A.12(a) of the NYSE Listed Company Manual, that he was not aware of any violation by the Company of the NYSE's corporate governance listing standards.

Forward-Looking Statements - This Annual Report contains some forward-looking statements which are subject to change. Actual results may differ materially from those described in any forward-looking statement. Additional information concerning potential factors that could affect our future results is included under the caption "Risk Factors" in Item 1A of this Annual Report. This statement is provided as permitted by the Private Securities Litigation Reform Act of 1995.

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FINANCIAL OVERVIEW

We generally prefer to build rather than buy, and the Aztar acquisition is no exception. Aztar owns a terrific development site in Las Vegas. By acquiring Aztar, we also acquire the ability to build a flagship property on the Las Vegas Strip.

Meanwhile, the Aztar properties in Laughlin, Nevada; Evansville, Indiana; and Caruthersville, Missouri fit well in the Pinnacle portfolio. Aztar's biggest property, the Tropicana Atlantic City, is the largest hotel in Atlantic City and will become our flagship on the East Coast. We see many opportunities to expand and improve the existing Aztar properties and look forward to doing so.

The planned transaction will require yet another revamping of our debt structure. We have been provided with full funding commitments by two of our investment banks, which was important in obtaining the approval of the transaction by Aztar's Board of Directors. Once the transaction is approved by Aztar shareholders, we will look for permanent financing on the best terms possible. We believe that this transaction, as we improve and expand on the Aztar assets and build a network of our casinos to accommodate our customers, will yield good returns to Pinnacle shareholders, opportunities for advancement for the employees of both companies, and create a stronger partner in the communities in which we operate.

* THE OBLIGATORY EBITDA TO NET INCOME RECONCILIATION

We use EBITDA as a helpful measure of our performance at the property and corporate levels and as one of several tools to help evaluate our ability to service debt. Calculation of Adjusted EBITDA and description of non-routine items can be found beginning on Page 26 of our Form 10-K. A reconciliation of property EBITDA to operating income can be found beginning on page 41 on our Form 10-K. The following is a reconciliation of Adjusted EBITDA before non-routine items to net income (loss).

(\$ Millions)	Twelve Months Ended Dec 31,				
	2001	2002	2003	2004	2005
Adjusted EBITDA Before Non-Routine Items*	\$58.2	\$80.4	\$85.6	\$95.4	\$128.0
Non-Routine Items	(\$0.7)	(\$12.9)	(\$6.8)	\$28.2	(\$29.6)
Depreciation and Amortization	(\$45.7)	(\$42.6)	(\$44.4)	(\$46.1)	(\$61.2)
Interest Expense, Net	(\$43.7)	(\$46.5)	(\$51.9)	(\$48.2)	(\$45.9)
Loss on Early Extinguishment of Debt	\$0.0	\$0.0	(\$19.9)	(\$14.9)	(\$3.8)
Income Tax (Expense) Benefit	\$14.4	\$7.2	\$7.5	(\$7.2)	\$16.0
Income (Loss) from Discontinued Operations, Net	(\$11.1)	\$1.5	\$1.6	\$2.0	\$2.5
Cumulative Effect of a Change in Accounting Principle	\$0.0	(\$56.7)	\$0.0	\$0.0	\$0.0
Net Income (Loss)	(\$28.6)	(\$69.6)	(\$28.2)	\$9.2	\$6.1

*Excludes discontinued operations.