



Bluegate Reports Second Quarter 2006 Financials: First Six Months of 2006 Revenue Increased 26% over the Pro Forma Revenue for the First Six Months of 2005

Highlights:

- ◆ Second quarter 2006 revenues of \$814,800 -- an increase of 99% primarily due to success in marketing Bluegate core business and the Trilliant acquisition.
- ◆ Gross margin as a percentage of sales increased to 58% for the second quarter of 2006 from 43%
- ◆ Stark Law Exception Rules/HR 4157 legislation present opportunities for Bluegate business growth

HOUSTON, TX - August 8, 2006 - Bluegate Corp. (OTCBB: BGAT-News), the nation's premier provider of outsourced health care IT solutions, professional technology consulting services and Bluegate Medical Grade Networks™, today reported record consolidated revenue of \$1,750,500 for the six months ending June 30, 2006, an increase of 26% over the pro forma revenues of \$1,390,100 for the comparable 2005 period.

On September 15, 2005, Bluegate acquired substantially all of the assets of Trilliant Corp. The revenues reported above represent pro forma combined revenues of Bluegate and Trilliant assuming the acquisition occurred on January 1, 2005.

Other than the pro forma revenue amount referred to above, the amounts contained in the remainder of this press release represent the results of the Trilliant acquisition from the date of acquisition, September 15, 2005.

"We are pleased with our results for the first six months of 2006," Mr. Manfred Sternberg, Bluegate CEO stated. "During the second quarter we made significant progress with several potential clients in new and existing markets and we continue to grow our business with existing customers. This provides us with good visibility on continued revenue growth for the third and fourth quarters of 2006."

"We finalized two alliance initiatives in the second quarter that further expand our offering of best-of-breed products and services from third-party vendors," Mr. Sternberg, said "We expect to begin recognizing revenue from these alliances during the third and fourth quarters of 2006. Due to strategic reasons, we plan to share details of the initiatives and their revenue impact on Bluegate in the coming weeks. These products are expected to provide incremental revenue opportunities with our client base without any capital investment from Bluegate --further enhancing our bottom line."

Mr. Sternberg noted, "With the recent Stark Law Exception Rules by the Centers for Medicare and Medicaid (CMS) and the passage of H.R. 4157 'The Health IT Promotion Act of 2006' by the U.S. House of Representatives, hospitals and other health care organizations can provide up to 85% of IT funding and/or information technology and support services to physicians. We believe that the confluence of CMS rules, HR 4157 legislation and the Bush Administration's goal of electronic health record (EHR) adoption by 2014 will launch the largest IT expenditures in health care. We have decided to leverage our position as first mover by further expanding to ensure we have adequate infrastructure, sales and service systems and alliance products in place to meet what we believe will be unprecedented demand for our solutions and services during the next couple of years. While we anticipate this decision will postpone our cash flow breakeven point, we believe it will allow us to take advantage of our position as the only company today with an operating network and the proven experience to implement these projects for the entire spectrum of health care providers, including credentialed physicians."

Sternberg added, "Already, we have received calls from many health systems eager to create a sustainable model taking advantage of the emerging new regulatory environment. While these will take time to evaluate, we expect that they will bolster our ever-expanding sales pipeline. Concurrently, we continue to increase penetration in our original Houston metro market and provide additional solutions to existing clients."

Bluegate's second quarter 2006 revenue was \$814,800 versus \$409,900 for the year ago quarter. This represents an increase of \$404,900, or 99%. During the first six months of 2006, Bluegate's revenue was \$1,750,500 versus \$875,800 for the comparable period of 2005. This represents an increase of \$874,700, or approximately 100%, and is primarily attributable to Bluegate's acquisition of the assets of Trilliant Corp. and the Company's success in marketing Bluegate™, its core business.

Bluegate's gross margin for second quarter 2006 was \$470,700, compared to \$176,200, for the comparable period 2005. The Company's gross margin as a percentage of sales increased to 58% for the second quarter of 2006 from 43% for the second quarter of 2005. Bluegate's gross margin for first six months of 2006 was \$983,600, or 56% of consolidated revenue, compared to \$454,000, or 52% of consolidated revenue for the comparable period in 2005. The improvement in Bluegate's gross margin percentage is attributable to Bluegate's expansion of its physician network business during the first six months of 2006.

Selling, general and administrative (SG&A) expenses were \$1,630,000 in the second quarter 2006, compared to \$898,300 for the year ago quarter. SG&A expenses were \$2,896,300 in the first six months of 2006, compared to \$2,051,700 for the year ago period. The increase in SG&A of \$844,600 is primarily attributable to the expansion of Bluegate's sales and marketing efforts and recording stock option and warrant related expenses as a result of Bluegate's adoption of SFAS No. 123R on January 1, 2006.

Net loss for the second quarter of 2006 was \$(1,373,800) compared to net loss of \$(759,600) for the second quarter of 2005, an increase of \$614,200. Net loss for the first six months of 2006 was \$(2,386,400) compared to net loss of \$(2,556,100) for the first six months of 2005, or an overall decrease of \$169,700. After taking into effect a non-cash charge to income of \$892,900 in 2005 upon the conversion of notes payable to common stock, Bluegate's net loss increased by \$723,200. The increase is primarily attributable to recording stock option and warrant related expenses due to the Company's adoption of SFAS No. 123R on January 1, 2006, the issuance of common stock and warrants to extend the Company's obligations pursuant to registration rights and the issuance of warrants for the extension of the debt payment relating to the convertible notes payable. Those increases were partially offset by the effects of the revenue increase resulting from the Trilliant acquisition.

Net loss per common share for the second quarter of 2006 was \$(0.17), unchanged from the comparable 2005 period. Net loss per common share for the first six months of 2006 was \$(0.32) compared to \$(0.69) for the first six months of 2005.

Bluegate's 10-QSB filing for the first six months of 2006 can be accessed in its entirety at www.sec.gov or www.bluegate.com.

About Bluegate

Bluegate Corp. is an industry leader of outsourced health care IT solutions, Medical Grade Networks™ and remote management services. It provides IT consulting through its professional services division and HIPAA-compliant, turnkey managed security services and interoperability solutions across its Medical Grade Networks to hospitals, physicians, other health care facilities, RHIOs, HCOs and third-party

solution providers. Bluegate is publicly traded on the over the counter bulletin board under the ticker symbol BGAT. For information, visit www.bluegate.com or call 713-686-1100.

Safe Harbor

This press release may contain "forward-looking statements." All statements, other than statements of fact, included in this release and without limitation statements regarding potential future plans and objectives of the Company, are forward-looking statements that involve risks and uncertainties. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements.

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