



Bluegate Reports Third Quarter Revenues Increase 84%; Nine-Month Revenues Up 109%

HOUSTON, TX, USA – November 21, 2005 – Bluegate Corp. (OTCBB: BGAT-News), a provider of specialized HIPAA-compliant IT outsourcing and managed security and interoperability solutions for hospitals, physicians and RHIOs (regional healthcare information organizations), today reported financial results for the third quarter of 2005.

Financial highlights and operational milestones from the third quarter of 2005:

- Record quarterly consolidated revenue of \$666,000, an increase of 84% over the third quarter of 2004
- Nine month revenue of over \$1.5 million, an increase of over 109% over comparable period in 2004
- Increased gross margin from 57% in the third quarter of 2004 to 64% in the third quarter of 2005
- Completion of strategic staffing of back office in preparation for growth into several new geographic markets
- Consummated acquisition of the business of Trilliant Corporation, an IT professional service consultant to hospitals and other large institutions, providing Bluegate with deeper expertise and greater client access
- Recognized as fourth fastest growing technology company in Houston for 2004

Financial Overview

Consolidated revenue for the quarter ended September 30, 2005 was \$666,000, an increase of 84% over \$362,000 of consolidated revenue for the third quarter ended September 30, 2004. Bluegate's gross profit for Q3 2005 was \$423,000, or 64% of consolidated revenue, compared to \$208,000, or 57% of consolidated revenue for the comparable period 2004. Consolidated revenue for the nine months ended September 30, 2005 was \$1,542,000, versus \$734,000 for the comparable 2004 period, an increase of 110%. Gross profit for the first nine months of 2005 was \$877,000, or 57% of consolidated revenues, versus \$335,000, or 46% of consolidated revenues, for the comparable 2004 period. The gross margin expansion in both quarterly and nine months results are attributable to the leverage created by the fixed cost component of the costs of sales.

Selling, general and administrative (SG&A) expenses were \$1,186,000 in the third quarter 2005, compared to \$304,000 for the comparable period in 2004. Selling, general and administrative expenses of \$3,237,000 were incurred for the first nine months of 2005, compared to \$899,000 for the comparable period in 2004. The increases in both the third quarter and the first nine months of 2005 were due primarily to costs and expenses associated with the strategic staffing of administration, sales and marketing personnel in anticipation of new market expansion and, to a lesser extent, stock-based compensation. Management believes that SG&A will increase at a declining rate as the company grows and takes advantage of economies of scale inherent in its business model.

Net loss for the third quarter of 2005 was \$823,000 compared to net loss of \$102,000 for the third quarter of 2004. Fully diluted earnings per share for the quarter was a loss of \$0.15, compared to \$0.05 for the same quarter of last year. The Company incurred a net loss for the first nine months of 2005 of \$3,379,000 or \$0.79 per fully diluted share versus \$434,000 or \$0.21 per share for the comparable period last year. These losses include a non-cash charge of \$892,882 related to the conversion of notes payable to common stock.

During the third quarter of 2005, Bluegate acquired the business of Trilliant Corporation, an IT professional service consultant to hospitals and other large institutions. Strategically, Trilliant provides Bluegate with broader access to healthcare providers throughout the U.S. The 2005 nine month pro forma combined revenues of Trilliant and Bluegate would have been \$2.32 million had the acquisition occurred on January 1, 2005.

“We are very pleased with our third quarter growth and our year to date accomplishments,” said Manfred Sternberg, CEO of Bluegate. “Several factors are contributing to our growth, which we anticipate will continue for years to come. First, our first-of-its-kind HIPAA-compliant medical grade IT network and outsourced hospital and medical practice IT services fill a growing need in accelerating the conversion and integration of hospitals and medical practices to electronic medical record use and online data sharing and collaboration.”

Sternberg continued, “Second, there is a groundswell of public, industry and bi-partisan support that is pushing the healthcare industry to transition to the Digital Age and create electronic interoperability to improve patient care and reduce costs. While this initiative had gained momentum more than a year prior to Hurricane Katrina, that particular disaster served as a national wake-up call regarding the vulnerabilities of healthcare networks and patient data. Our Bluegate services today offer the medical grade network that can assist the healthcare industry as it transitions to the Digital Age and seeks to create a nationwide interoperable healthcare network. We believe Bluegate’s replicable business model, as illustrated by the medical grade network we’ve built with our strategic business partner Memorial Hermann Health Network Providers, can be expanded to become the national ‘grid’ that all vested parties in the HIPAA initiative turn to for securely connecting physicians with hospitals, other providers and insurance companies.

“As I have stated before, our strategy is to grow the number of physicians served and revenue per physicians in our existing markets, while replicating our business model in new geographic markets,” Sternberg added. “The recent additions of capital, combined with the experienced management and senior technology human resources gained through the acquisition of Trilliant, enable us to respond to the demand from numerous markets, where we are in the late stages of expansion discussions for new electronic networks. Lastly, the added management and sales depth will enable the continuation of the build-out of the Houston and other Texas markets, in terms of both number of customers and revenue per customer, and should enable us to achieve profitability in a more condensed time frame.”

Bluegate’s 10Q filing for third quarter 2005 can be accessed in its entirety at www.sec.gov.

About Bluegate

Bluegate Corp. provides specialized Healthcare Information Portability & Accountability Act (HIPAA)-compliant IT outsourcing and managed security and interoperability solutions for hospitals, physicians and RHIOs (regional healthcare information organizations). This enables the healthcare industry to have secure, HIPAA-compliant data communication between hospitals, medical facilities and physician practices today which ultimately enhances the quality of patient care while reducing healthcare costs long term. Bluegate also provides affordable access to third-party healthcare vendors that offer compatible

medical-focused content and applications over the Bluegate infrastructure to improve practice efficiency and service. Bluegate extends healthcare focused IT best practices to the edge of the healthcare network ensuring every physician and facility they touch is as secure as the hospital itself. Bluegate is publicly traded on the over the counter bulletin board under the ticker 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.

For Bluegate

Media: Julie Shepherd, Accentuate PR, 815 479 1833, Julie@accentuatepr.com

Investors: Jeremy Roe, Diablo Consultants, (925) 932-1100, jeremygroe@diabloconsultants.com