

## **Diversinet Reports Second Quarter 2006 Financial Results**

### **Q2 Quarterly Revenues Up 45%, Net Loss Reduced By 49%**

### **Company Closes Additional US\$1.0 Million Private Placement**

**TORONTO, Canada, July 26, 2006** – Diversinet Corp. (OTCBB: DVNTF), a leading provider of mobile-enabled personal authentication and security solutions, today announced its financial results for its second quarter of 2006. During the second quarter of 2006 Diversinet successfully closed US\$4.0 million in new funding, realigned its board of directors with two new appointments and continued its strategic focus on building a distribution network for the mass-market provisioning and management of its MobiSecure™ soft tokens.

Revenues for the quarter were \$476,000, up 45 percent compared to \$330,000 in the second quarter of 2005. Revenues for the six months ended June 30, 2006 were \$950,000, up 39 percent from \$684,000 in 2005. Cash used in continuing operations for the quarter was \$726,000 compared to \$661,000 in 2005. Cash used in continuing operations for the six months ended June 30, 2006 was \$1,132,000 compared to \$1,271,000 in 2005. All dollar amounts are in U.S. dollars.

The net loss for the second quarter of 2006 was \$747,000, or \$0.03 per share, compared to a net loss of \$1,458,000 or \$0.08 per share in the second quarter of 2005. Included in the second quarter net loss are stock-based compensation, depreciation and amortization of \$286,000 (\$522,000 in Q2 2005). The net loss for the six months ended June 30, 2006 was \$1,469,000, or \$0.06 per share, compared to a net loss of \$2,757,000 or \$0.14 per share for the comparable period in 2005. Included in the six month net loss are stock-based compensation, depreciation and amortization of \$555,000 (\$933,000 in 2005). Cash and cash equivalents at June 30, 2006 were \$4,213,000 compared to \$1,356,000 at December 31, 2005.

During the second quarter, Diversinet completed an equity financing through the sale and issue of 6,680,001 units by way of private placement at \$0.60 per unit for gross proceeds of \$4,008,000. Each unit is comprised of one common share and one common share purchase warrant. One half of the warrant will be exercisable to purchase one common share for each whole warrant at a price of \$0.75, the other half warrant at \$0.90, for a period of up to two years from June 30, 2006.

Second quarter 2006 channel and customer highlights include:

- The company successfully closed \$4.0 million in new funding through a private placement led by Albert E. Wahbe, a former senior executive at Scotiabank, with a US\$2.76 million personal investment. The company will use this funding for working capital purposes and general operations.
- Mr. Wahbe joined the Diversinet Corp. board of directors as chairman, and will provide sales and business development services for Diversinet. Mr. Ravi Chiruvolu also joined the Diversinet board. Mr. Chiruvolu is an MIT engineer, a Harvard MBA and a seasoned venture capitalist with experience in working with small cap management teams to increase overall shareholder returns.

- The company entered into a partnership with ECONZ Wireless, a leading global developer of mobile software solutions for business and consumer markets, to integrate and extend the MobiSecure BREW® client into current and future ECONZ Wireless applications for sale worldwide through ECONZ Wireless mobile carrier partners. The two companies also demonstrated BREW versions of their mobile-enabled two-factor authentication solution at BREW 2006 conference in San Diego.
- The company entered into a partnership agreement with Infosec Co., Ltd., a leading Korean global e-security integrator and an affiliate as well as a security partner of the SK Group (“SK Infosec”), to distribute Diversinet’s OATH-compliant MobiSecure software tokens and MobiSecure Authentication Service Center (MASC) provisioning service in Korea. SK Infosec will market Diversinet’s products and services both within the SK Group family of companies and to the Korean market at large.

In addition to the recent \$4.0 million financing announcement on July 6, 2006, the Company today announced that it successfully closed an additional \$1 million in new funding through a private placement. Funding will be provided through the sale and issue of 1,538,463 units by way of private placement at U.S.\$0.65 per unit for gross proceeds of \$1,000,000. Each unit is comprised of one common share and one common share purchase warrant. The warrant will be exercisable to purchase one common share at a price of \$1.00, for a period of up to two years from July 26, 2006. The company will use this funding for working capital purposes and general operations.

“The liquidity achieved through the successful closing of these two fundings is a significant milestone for Diversinet, providing us with the resources we need to continue on our path to profitability and to becoming a significant force in the mobile security marketplace,” said Nagy Moustafa, chief executive officer of Diversinet. “We are excited to have a seasoned veteran like Albert Wahbe helping lead us through this exciting transitional period and beyond.”

After completion of the private placement, there are approximately 32,771,401 shares issued and outstanding, and 46,119,408 shares on a fully diluted basis. The common shares, warrants and warrant shares forming part of the units cannot be re-sold in the public markets until a registration statement has been filed and declared effective by the U.S. Securities and Exchange Commission. This press release does not represent an offer to buy or to sell any securities.

### **About Diversinet**

Diversinet is a leading provider of mobile-enabled personal authentication and security solutions for the wireless world. The company’s software and services protect a user’s identity and provide secure access for new, innovative consumer and business applications using a variety of mobile phones, personal digital assistants (PDAs) and personal computers. Diversinet’s highly scaleable, open mobile security platform enables enterprises and service providers to rapidly develop, deploy and manage next-generation wireless security services that leverage the more than 2.5 billion mobile devices and PCs deployed today. The Diversinet MobiSecure suite of mobile tokens and MASC offerings are available on all intelligent mobile device platforms, including Microsoft, RIM, Symbian, Palm, BREW, and Java-based phones, as well as personal computers

running the Windows operating system. For more information about Diversinet Corp. visit [www.diversinet.com](http://www.diversinet.com).

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*The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain information included in this press release (as well as information included in oral statements or other written statements made or to be made by the company) contains statements that are forward-looking, such as statements relating to anticipated future revenues of the company and success of current product offerings. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ materially from those expressed in any forward-looking statements made by or on behalf of the company. For a description of additional risks and uncertainties, please refer to the company's filings with the Securities and Exchange Commission.*

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**Diversinet Corp.****CONSOLIDATED BALANCE SHEETS**

[in United States dollars]

	<b>June 30</b>	December 31
	<b>2006</b>	2005
	\$	\$
	(Unaudited)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,212,917	1,355,562
Accounts receivable	79,303	66,039
Other receivables	-	1,266
Work in progress	249,905	-
Prepaid expenses	74,770	117,245
<b>Total current assets</b>	<b>4,616,895</b>	<b>1,540,112</b>
Capital assets, net	398,879	473,010
<b>Total assets</b>	<b>5,015,774</b>	<b>2,013,122</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	201,587	153,100
Accrued liabilities	237,682	226,679
Deferred revenue	21,000	79,000
<b>Total current liabilities</b>	<b>460,269</b>	<b>458,779</b>
<b>Shareholders' equity</b>		
Share capital	54,402,811	54,347,652
Share capital subscribed but unissued	2,868,259	-
Cumulative translation adjustment	(1,520,721)	(1,520,721)
Share purchase warrants	2,468,390	2,500,977
Share purchase warrants subscribed but unissued	1,139,741	-
Contributed surplus	2,960,926	2,521,422
Deficit	(57,763,901)	(56,294,987)
<b>Total shareholders' equity</b>	<b>4,555,505</b>	<b>1,554,343</b>
<b>Total liabilities and shareholders' equity</b>	<b>5,015,774</b>	<b>2,013,122</b>

See accompanying notes to interim consolidated financial statements.

**Diversinet Corp.****CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**

[in United States dollars]

(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>REVENUE</b>	<b>476,862</b>	329,514	<b>949,848</b>	683,925
Cost of sales	<b>395,787</b>	216,270	<b>745,559</b>	461,738
<b>Gross margin</b>	<b>81,075</b>	113,244	<b>204,289</b>	222,187
<b>EXPENSES</b>				
Research and development	<b>140,090</b>	303,607	<b>172,807</b>	581,154
Sales and marketing	<b>169,208</b>	352,227	<b>399,616</b>	668,962
General and administrative	<b>482,031</b>	747,963	<b>1,032,656</b>	1,262,023
Depreciation and amortization	<b>39,495</b>	177,408	<b>78,773</b>	351,695
	<b>830,824</b>	1,581,205	<b>1,683,852</b>	2,863,834
Loss before the following	<b>(749,749)</b>	(1,467,961)	<b>(1,479,563)</b>	(2,641,647)
Foreign exchange loss (gain)	<b>3,500</b>	(11,441)	<b>7,610</b>	(18,527)
Interest income	<b>(6,254)</b>	(3,716)	<b>(18,259)</b>	(12,665)
Loss from continuing operations	<b>(746,995)</b>	(1,452,804)	<b>(1,468,914)</b>	(2,610,455)
Loss from discontinued operations (note 2)	-	(5,195)	-	(146,769)
<b>Loss for the period</b>	<b>(746,995)</b>	(1,457,999)	<b>(1,468,914)</b>	(2,757,224)
<b>Deficit, beginning of period</b>	<b>(57,016,906)</b>	(50,484,716)	<b>(56,294,987)</b>	(49,185,491)
Loss for the period	<b>(746,995)</b>	(1,457,999)	<b>(1,468,914)</b>	(2,757,224)
<b>Deficit, end of period</b>	<b>(57,763,901)</b>	(51,942,715)	<b>(57,763,901)</b>	(51,942,715)
Loss per share				
Basic and diluted loss per share from continuing operations	<b>(0.03)</b>	(0.08)	<b>(0.06)</b>	(0.14)
Basic and diluted loss per share	<b>(0.03)</b>	(0.08)	<b>(0.06)</b>	(0.14)
<b>Weighted average common shares outstanding</b>	<b>24,394,530</b>	19,247,556	<b>24,361,009</b>	19,213,493

See accompanying notes to interim consolidated financial statements.

**Diversinet Corp.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In United States dollars)

(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Loss from continuing operations	(746,995)	(1,452,804)	(1,468,914)	(2,610,455)
Add (deduct) items not requiring an outlay of cash:				
Depreciation and amortization	39,495	177,408	78,773	351,695
Stock-based compensation expense	246,128	344,681	476,126	580,833
Changes in non-cash working capital items related to operations:				
Accounts receivable and other receivables	1,985	99,958	(11,998)	84,813
Prepaid expenses	10,852	18,883	42,475	36,702
Work in progress	(227,477)	-	(249,905)	-
Accounts payable and accrued liabilities	(26,651)	115,834	59,490	75,071
Deferred revenue	(23,000)	35,000	(58,000)	31,157
Cash used in continuing operations	(725,663)	(661,040)	(1,131,953)	(1,450,184)
Cash provided by (used in) discontinued operations	-	(30,179)	-	179,036
<b>Cash used in operations</b>	<b>(725,663)</b>	<b>(691,219)</b>	<b>(1,131,953)</b>	<b>(1,271,148)</b>
<b>FINANCING ACTIVITIES</b>				
Issue of common shares, common purchase options, warrants for cash, net of costs	3,990,650	(71,191)	3,993,950	(55,691)
Notes payable	-	-	-	(4,611)
<b>Cash provided by (used in) financing activities</b>	<b>3,990,650</b>	<b>(71,191)</b>	<b>3,993,950</b>	<b>(60,302)</b>
<b>INVESTING ACTIVITIES</b>				
Decrease in short-term investments	-	594,273	-	1,094,068
Net addition of capital assets	(2,896)	(37,571)	(4,642)	(39,820)
<b>Cash provided by (used in) investing activities</b>	<b>(2,896)</b>	<b>556,702</b>	<b>(4,642)</b>	<b>1,054,248</b>
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>3,262,091</b>	<b>(205,708)</b>	<b>2,857,355</b>	<b>(277,202)</b>
Cash and cash equivalents, beginning of the period	950,826	652,004	1,355,562	723,498
<b>Cash and cash equivalents, end of the period</b>	<b>4,212,917</b>	<b>446,296</b>	<b>4,212,917</b>	<b>446,296</b>

See accompanying notes to interim consolidated financial statements.