



NIGHTINGALE INFORMATIX CORPORATION

CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited) For the Three Month Interim Period Ended June 30, 2006

The accompanying unaudited consolidated financial statements and notes to financial statements of Nightingale Informatix Corporation (the "Company") have not been reviewed by the Company's auditors.

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NIGHTINGALE INFORMATIX CORPORATION

CONSOLIDATED BALANCE SHEET (Unaudited) AS AT JUNE 30, 2006

	June 30, 2006	March 31, 2006
ASSETS		
Current Assets		
Cash and Cash Equivalents, Note 6	\$ 3,619,590	\$ 373,691
Accounts Receivable	2,007,800	1,371,981
Investment Tax Credits Receivable	221,191	221,191
Prepaid Expenses	492,808	349,559
	<u>6,341,389</u>	<u>2,316,422</u>
Long Term Assets		
Deferred Costs	124,037	372,062
Other Receivables	-	145,107
Goodwill	9,504,074	4,796,386
Property and Equipment, Note 7	2,580,905	1,891,530
	<u>12,209,016</u>	<u>7,205,085</u>
	<u>\$ 18,550,405</u>	<u>\$ 9,521,507</u>
LIABILITIES		
Current Liabilities		
Line of Credit	\$ 925,202	-
Accounts Payable and Accrued Liabilities	1,809,482	1,808,217
Current Portion of Deferred Revenue	1,202,720	1,159,405
Promissory Note Payable	474,080	1,000,000
Current Portion of Capital Lease Obligations	236,687	185,012
Bank Loan Payable	-	148,782
	<u>4,648,171</u>	<u>4,301,416</u>
Long Term Liabilities		
Deferred Compensation Payable to Employees	93,482	403,975
Deferred Revenue	1,503,221	1,185,481
Capital Lease Obligations	229,377	206,064
	<u>1,826,080</u>	<u>1,795,520</u>
SHAREHOLDERS' EQUITY		
Capital Stock, Note 8.b	18,360,008	9,160,446
Contributed Surplus, Note 9	782,015	742,503
Warrants, Note 10	1,807,749	74,235
Deficit	(8,873,618)	(6,552,613)
	<u>12,076,154</u>	<u>3,424,571</u>
Total Liabilities and Shareholders' Equity	<u>\$ 18,550,405</u>	<u>\$ 9,521,507</u>

Approved on behalf of the board:

_____ "Samer Chebib" Director

_____ "David Atkins" Director

NIGHTINGALE INFORMATIX CORPORATION

CONSOLIDATED STATEMENT OF DEFICIT (Unaudited) FOR THE THREE MONTH INTERIM PERIOD ENDED JUNE 30, 2006

	3 months ended June 30, 2006	3 months ended June 30, 2005
Deficit, Beginning of the Period	\$ (6,552,613)	\$ (3,552,420)
Net Loss For the Period	<u>(2,321,005)</u>	<u>(154,027)</u>
Deficit, End of the Period	<u>\$ (8,873,618)</u>	<u>\$ (3,706,447)</u>

NIGHTINGALE INFORMATIX CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited) FOR THE THREE MONTH INTERIM PERIOD ENDED JUNE 30, 2006

	3 months ended June 30, 2006	3 months ended June 30, 2005
Revenue	\$ 2,989,106	\$ 1,011,290
Cost of Sales	<u>1,242,768</u>	<u>143,534</u>
Gross Profit	<u>1,746,338</u>	<u>867,756</u>
Expenses		
General and Administration	781,523	310,444
Sales and Marketing	775,472	279,411
Research and Development, Net of Investment Tax Credits	1,003,163	206,133
Implementation and Customer Support	571,643	191,298
Stock Based Compensation	223,218	(9,772)
Interest, Note 11	548,639	3,319
Amortization	<u>163,685</u>	<u>40,950</u>
	<u>4,067,343</u>	<u>1,021,783</u>
Net Loss for the Period	<u><u>(2,321,005)</u></u>	<u><u>\$ (154,027)</u></u>
Net Loss per Common Share, Basic and Fully Diluted	<u><u>(0.07)</u></u>	<u><u>(0.01)</u></u>
Weighted Average Number of Common Shares	<u><u>34,551,915</u></u>	<u><u>24,999,998</u></u>

NIGHTINGALE INFORMATIX CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited) FOR THE THREE MONTH INTERIM PERIOD ENDED JUNE 30, 2006

	3 months ended June 30, 2006	3 months ended June 30, 2005
Cash Flow from Operating Activities		
Net Loss for the Period	\$ (2,321,005)	\$ (154,027)
<i>Adjustments for Non-Cash Expenses:</i>		
Amortization of Property and Equipment	163,685	40,950
Stock Based Compensation	223,218	(9,772)
Notional Interest	431,000	-
	<u>817,903</u>	<u>31,178</u>
<i>Changes in Non-Cash Working Capital Balances:</i>		
Decrease (Increase) in Accounts Receivable	(635,819)	317,276
Decrease (Increase) in Tax Credits Receivable	-	(62,500)
Decrease (Increase) in Prepaid Expenses	(143,250)	(40,196)
Decrease (Increase) in Inventory	-	(88,484)
Decrease (Increase) in Common Share Subscription Receivable	-	250,000
Decrease (Increase) in Deferred Costs	248,025	(102,413)
Decrease (Increase) in Other Receivables	145,107	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,265	77,438
Increase (Decrease) in Deferred Revenue	361,055	(274,444)
Increase (Decrease) in Deferred Compensation Payable	(310,493)	(5,130)
	<u>(1,837,212)</u>	<u>(51,302)</u>
Working Capital Adjustment due to IHPS Acquisition, Note 3a	<u>(676,120)</u>	<u>-</u>
Cash flows provided (used in) operating activities	<u>(2,513,332)</u>	<u>(51,302)</u>
Cash Flow from Investing Activities		
Purchase of Property and Equipment	(126,284)	(85,087)
IHPS Acquisition, Note 3a	(2,990,880)	-
Cash flows provided from (used in) investing activities	<u>(3,117,164)</u>	<u>(85,087)</u>
Cash Flow from Financing Activities		
New Share Issue	9,265,370	-
Increase (Decrease) in Bank Loan Payable	(148,782)	(8,931)
Increase (Decrease) in Due to Shareholders	-	(50,000)
Increase (Decrease) in Notes Payable	(1,227,920)	-
Increase (Decrease) in Capital Lease Obligations	62,525	-
Increase (Decrease) in Line of Credit	925,202	-
Cash flows provided from (used in) financing activities	<u>8,876,395</u>	<u>(58,931)</u>
Net Increase (Decrease) in Cash	3,245,899	(195,320)
Cash and Cash Equivalents, Beginning of Period	<u>373,691</u>	<u>188,882</u>
Cash and Cash Equivalents (Indebtedness), End of Period	<u><u>\$ 3,619,590</u></u>	<u><u>\$ (6,438)</u></u>

See accompanying notes to the consolidated financial statements

NIGHTINGALE INFORMATIX CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) FOR THE THREE MONTH INTERIM PERIOD ENDED JUNE 30, 2006

1. BUSINESS DESCRIPTION

Nightingale Informatix Corporation ("Nightingale" or the "Company") is incorporated under the Ontario Business Corporation Act. The Company's principal activities include the development, marketing and licensing of application software and services to customers in the Healthcare industry in Canada and the United States.

2. BASIS OF PRESENTATION

The accounting policies used in the preparation of these unaudited consolidated financial statements are consistent with those used in the Company's year-end audited financial statements. The note disclosures that follow do not include all disclosures required by Canadian generally accepted accounting principles for annual financial statements, and accordingly should be read in conjunction with the consolidated financial statements for the year ended March 31, 2006.

a. Estimates

The preparation of these financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

b. Principles of consolidation

The financial statements are prepared on a consolidated basis for Nightingale Informatix Corporation and its wholly-owned subsidiaries, VisionMD (2002) Inc., Nightingale HealtheNet Corporation, and Nightingale HealtheNet Canada Corporation. All significant inter-company balances and transactions have been eliminated on consolidation.

c. Comparative Amounts

Certain of the prior year figures have been reclassified to conform with the current year's presentation.

d. Loss per common share

Basic loss per share has been calculated by dividing the net loss per the financial statements by the weighted average number of shares outstanding during the period. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued under outstanding common share options of the Company. As the company is in a loss position for the three month period ended June 30, 2006, no dilutive effect would result from the potential increase in common shares.

3. BUSINESS COMBINATIONS

a. Acquisition of HealtheNet

On March 16, 2006, the Company completed the acquisition of the business and assets of Scribes Inc., Scribes (USA) Inc., Healthnet inc. (a Delaware company) and HealtheNet Inc., (collectively

NIGHTINGALE INFORMATIX CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) FOR THE THREE MONTH INTERIM PERIOD ENDED JUNE 30, 2006

referred to as HealtheNet), providers of data management and transcription services to the healthcare community. The aggregate consideration provided for in this acquisition is \$7,125,000 which is comprised of \$1,000,000 in a promissory note and the issuance of 5,104,167 common shares of the company valued at \$6,125,000 (\$1.20 per common share). Included in the 5,104,167 common shares issued, are 1,666,667 common shares valued at \$2,000,000 which are subject to a performance based escrow whereby the shares may be released subject to the Company meeting earn-out targets over the four fiscal years following the date of the acquisition. Since the outcome of the contingent consideration cannot be determined beyond reasonable doubt, the \$2,000,000 contingent consideration has been excluded in the recorded purchase price. Therefore the aggregate recorded purchase price, including the transaction cost of \$210,224, is \$5,335,224. Once the outcome of the contingency is determinable beyond a reasonable doubt, contingent consideration recognized, if any, will be added to the purchase price.

The acquisition is accounted for by the purchase method whereby the results of operations of Healthenet, from the date of acquisition, are included in the consolidated statements of operations and deficit and cash flows of the Company.

Details of the fair value of net assets acquired at the date of acquisition are as follows:

Current assets	\$ 20,338
Property and equipment	518,500
Assets under capital lease	391,076
Capital leases assumed	(391,076)
Goodwill	<u>4,796,386</u>
Purchase price	<u>\$ 5,335,224</u>
Purchase price consideration:	
Promissory note	\$ 1,000,000
Nightingale common shares	4,125,000
Payment of transaction costs	<u>210,224</u>
	<u>\$ 5,335,224</u>

The goodwill related to this acquisition is expected to be deductible for income tax purposes.

The company has not yet finalized the allocation of the purchase price, as stated above, for the acquisition. The preliminary allocation of the purchase price is based on management's best estimate and information available at the time of preparing these consolidated financial statements and any changes may be material.

The company paid \$210,224 in cash for the acquisition of HealtheNet, including transaction costs. An additional \$29,500 of share issue costs was applied against common shares issued, resulting in total cash paid of \$239,724.

b. Acquisition of IHPS

On April 1, 2006, the Company completed its purchase of the assets of Integrated Healthware Inc., a healthcare software provider for the U.S. market and its affiliate, Physician Strategies LLC, a Massachusetts-based practice management firm focused on providing claims processing services

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) FOR THE THREE MONTH INTERIM PERIOD ENDED JUNE 30, 2006

to U.S. physicians (collectively referred to as "IHPS"). The agreement to acquire IHPS was originally announced on January 12, 2006. IHPS shareholders received total consideration of \$7,020,000 (US\$6,000,000), which included \$2,823,210 (US\$2,413,000) in cash, \$702,000 (US\$600,000) in a promissory note, the issuance of 592,105 common shares of Nightingale valued at \$1,053,000 (US\$900,000, \$1.52 per common share) and \$2,340,000 (US\$2,000,000) in the form of a performance-based earnout. The earnout is contingent on meeting revenue targets over a three-year period and will be paid on a basis of 80% in shares and 20% in cash, with share price of these earnout shares based on the 20-day average closing price of Nightingale's common shares prior to the release of the fiscal 2007, 2008 and 2009 financial statements. Since the outcome of the contingent consideration cannot be determined beyond reasonable doubt, the \$2,340,000 (US\$2,000,000) contingent consideration has been excluded in the recorded purchase price. Therefore the aggregate recorded purchase price is \$4,578,210 (US\$3,913,000). Once the outcome of the contingency is determinable beyond a reasonable doubt, contingent consideration recognized, if any, will be added to the purchase price.

The acquisition is accounted for by the purchase method whereby the results of operations of IHPS, from the date of acquisition, are included in the consolidated statements of operations and deficit and cash flows of the Company.

Details of the fair value of net assets acquired at the date of acquisition (converted at an exchange rate of \$1.17) are as follows, in Canadian dollars:

Current assets	\$	232,583
Property and equipment, net		132,348
Assets under capital lease		9,428
Software		585,000
Goodwill		4,707,688
Current Liabilities		<u>(921,167)</u>
Purchase price	\$	<u>4,745,880</u>
Purchase price consideration:		
Promissory note	\$	702,000
Nightingale common shares		1,053,000
Cash		2,823,210
Payment of transaction costs		<u>167,670</u>
	\$	<u>4,745,880</u>

The goodwill related to this acquisition is expected to be deductible for income tax purposes.

The company has not yet finalized the allocation of the purchase price, as stated above, for the acquisition. The preliminary allocation of the purchase price is based on management's best estimate and information available at the time of preparing these consolidated financial statements and any changes may be material.

The company paid \$2,990,880 in cash for the acquisition of IHPS, including transaction costs. An additional \$14,375 of share issue costs was applied against common shares issued, resulting in total cash paid of \$3,005,255.

NIGHTINGALE INFORMATIX CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) FOR THE THREE MONTH INTERIM PERIOD ENDED JUNE 30, 2006

4. DEBT FINANCING

On April 27, 2006, Nightingale closed a \$7 million debt financing. The financing was led by VRG Capital, a division of the Vimy Ridge Group Ltd., representing a syndicate of lenders, and consisted of \$5 million in subordinated debt and a \$2 million line of credit facility provided by Greenfield Commercial Credit Inc., both of which were secured against assets of the Company and its subsidiaries. The subordinated debt had a two-year term at a rate of 10% and included the issuance of 1.25 million common share purchase warrants ("Warrant"). Each Warrant entitles the holder to purchase one common share of Nightingale for a purchase price of \$1.50 per common share for up to two years from the date of closing. The line of credit has a maximum one year term at floating prime rate plus 2%. The proceeds of the financing will be used to fund the IHPS acquisition and for general working capital purposes. Subsequent to the private placement described below (note 5), the \$5 million in subordinate debt was fully repaid. A director of the Company is a director of both The Vimy Ridge Group Ltd. and Greenfield Financial Group Inc., parent of Greenfield Commercial Credit Inc.

The \$5 million of proceeds received from the issuance of the subordinated debt and Warrants has been allocated based on the relative fair value of the subordinated debt and Warrants. As a result, \$4,569,000 was allocated to subordinated debt and \$431,000 was allocated to warrants. The \$431,000 was recorded as notional interest in the statement of operations (see note 11 below) since the debt was fully repaid during the three months ended June 30, 2006.

The fair value of the Warrants was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free rate	3.97%
Expected volatility	50.0%
Expected dividend yield	0.0%
Estimated life of Warrants	1.6 years

5. PRIVATE PLACEMENT

On June 20, 2006, Nightingale completed a private placement financing (the "Offering") comprised of a total of 7,700,000 Units (the "Units") of the Company at a price of \$1.30 per Unit for aggregate gross proceeds of \$10,010,000. Each Unit consists of one common share of the Company and one half of one common share purchase warrant (the "Unit Warrant"), with each whole Unit Warrant being exercisable to acquire an additional common share at a price of \$1.60 for a period of 24 months following the closing of the Offering. All securities issued under the Offering were subject to hold periods until October 21, 2006.

The Offering was underwritten by Clarus Securities Inc. who was paid a cash commission of 7% on closing of the Offering and granted 770,000 compensation options (the "Compensation Options"). Each Compensation Option entitles the holder to acquire one Unit under the same terms and conditions as the Offering, for a period of 24 months following the closing of the Offering. A director of the Company is a director of Clarus Securities Inc. The Compensation Options were determined to have a fair value of \$371,410 using the Black-Scholes option pricing model with the same assumptions as the Warrants described in Note 5.

Net proceeds of \$8,764,451 received from the issuance of the Units has been allocated based on the relative fair value of the common shares and Unit Warrants, with \$7,780,006 allocated to common shares and \$984,445 allocated to the Unit Warrants. The fair value of the Unit Warrants

NIGHTINGALE INFORMATIX CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTH INTERIM PERIOD ENDED JUNE 30, 2006**

were determined using the Black-Scholes option pricing model and the same assumptions as the Warrants issued under the Debt Financing described in Note 4.

6. CASH AND CASH EQUIVALENTS

	June 30, 2006	March 31, 2006
Cash	\$ 1,121,339	\$ 4,659
Term deposit	2,545,000	450,000
Bank overdraft	<u>(46,749)</u>	<u>(80,968)</u>
	<u>\$ 3,619,590</u>	<u>\$ 373,691</u>

Bearing interest at a bank prime-linked variable rate, the term deposit is cashable until maturity on September 5, 2006.

7. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	June 30, 2006 Net Book Value	March 31, 2006 Net Book Value
Office equipment	527,835	179,976	347,858	370,966
Furniture and fixtures	123,318	33,598	89,720	59,801
Proprietary software	2,114,697	424,434	1,690,263	1,121,838
Assets under capital - Office equipment	394,639	86,289	308,351	221,767
Assets under capital - Furniture and fixtures	130,074	19,073	111,002	117,158
Leasehold Improvements	<u>34,546</u>	<u>835</u>	<u>33,711</u>	<u>-</u>
	<u>3,325,109</u>	<u>744,204</u>	<u>2,580,905</u>	<u>1,891,530</u>

8. CAPITAL STOCK**a. Authorized**

Unlimited	Preference shares
Unlimited	Common shares

NIGHTINGALE INFORMATIX CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTH INTERIM PERIOD ENDED JUNE 30, 2006**

b. Common shares

	Number	Amount
Balance as at March 31, 2006*	<u>33,123,972</u>	<u>\$ 9,160,446</u>
Issued on exercise of warrants	183,500	196,476
Issued on exercise of stock options	823	855
Issued to officers of the Company	135,000	183,600
Issued on private placement	7,700,000	7,780,006
Issued on IHPS acquisition, net of share issue costs	<u>592,105</u>	<u>1,038,625</u>
Balance as at June 30, 2006*	<u><u>41,735,400</u></u>	<u><u>\$ 18,360,008</u></u>

* 5,104,167 common shares were issued on the purchase of HealtheNet. Only 3,437,500 common shares are included in the above note because 1,666,667 common shares with value of \$2,000,000 are subject to the performance escrow and have been excluded in the purchase price of the acquisition. Including the 1,666,667 common shares issued, the total common shares outstanding on March 31, 2006 are 34,790,639 and on June 30, 2006 are 43,402,067 shares.

c. Stock Option Plan

The Company has adopted a stock option plan that permits the Board of Directors to grant employees, officers, directors and consultants of the Company non-transferable stock options to purchase up to 10% of the common shares issued and outstanding at any time. Under the plan, no individual person may own greater than 5% of the outstanding stock options. Generally, the options vest over four years and are exercisable for a maximum term of five years.

The fair value of the options granted during the three month period ended June 30, 2006 was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free rate	4.08%
Expected volatility	50.0%
Expected dividend yield	0.0%
Life of option	4 years

i. Summarized information relative to the Company's stock option plan

	Number Of Options	Weighted Average Exercise Price
Balance as at March 31, 2006	<u>2,755,570</u>	<u>\$ 1.21</u>
Issued	75,000	1.50
Exercised	(823)	0.91
Forfeited / Cancelled	<u>(26,055)</u>	<u>0.97</u>
Balance as at June 30, 2006	<u><u>2,803,692</u></u>	<u><u>\$ 1.22</u></u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTH INTERIM PERIOD ENDED JUNE 30, 2006**

ii. Summarized information relative to stock options outstanding and exercisable, excluding warrants

	Exercise Price	Number Outstanding at June 30, 2006	Exercisable	Remaining Contracted Life (Years)
Outstanding	\$0.46	144,326	104,403	1.66
	0.77	265,727	265,727	3.09
	0.91	112,639	30,835	3.65
	1.00	678,500	50,000	3.89
	1.25	183,000	-	3.25
	1.50	<u>1,419,500</u>	<u>325,000</u>	4.38
		<u>2,803,692</u>	<u>775,965</u>	

9. CONTRIBUTED SURPLUS

Included in contributed surplus is the fair value of stock options granted to employees and non-employees at the date of grant using the Black-Scholes model on the assumption that 100% of the options granted will be vested. At such date as the stock options are exercised, contributed surplus will be reduced by the previously recognized compensation expenses and a corresponding increase will be made to the value included in the capital stock attributable to common shares.

Changes in contributed surplus for the three month period ended June 30, 2006 are as follows:

	Amount
Balance as at March 31, 2006	<u>\$ 742,503</u>
<i>STOCK OPTIONS</i>	
Expensed - current period option grants	43,275
Expensed - previous periods option grants	180,895
Cancelled	(952)
Exercised	(106)
Changes in period due to stock options	<u>\$ 223,112</u>
<i>SHARE GRANT (1)</i>	
Shares issued	<u>\$ (183,600)</u>
Balance as at June 30, 2006	<u>\$ 782,015</u>

(1) At March 31, 2006, the Company owed 135,000 common shares to officers in lieu of cash bonuses. These shares were issued in April 2006.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTH INTERIM PERIOD ENDED JUNE 30, 2006**

10. WARRANTS

Included in warrants is the fair value of warrants granted at the date of grant (including all previously defined 'agent options') using the Black-Scholes model.

i. Summarized information relative to changes in warrants during the period

Changes in warrants for the three month period ended June 30, 2006 are as follows:

	Number	Amount	Weighted Average Exercise Price
Balance as at March 31, 2006	<u>273,020</u>	<u>\$ 74,235</u>	<u>\$ 0.85</u>
Issued – subordinated debt	1,250,000	431,000	1.55
Issued – private placement	5,005,000	1,355,855	1.50
Exercised	<u>(183,500)</u>	<u>(53,341)</u>	<u>0.78</u>
Balance as at June 30, 2006	<u><u>6,344,520</u></u>	<u><u>\$ 1,807,749</u></u>	<u><u>\$ 1.54</u></u>

ii. Summarized information relative to warrants outstanding and exercisable

	Exercise Price	Number Outstanding at June 30, 2006	Exercisable	Remaining Contracted Life (Years)
Outstanding	1.00	89,520	89,520	0.34
	1.30	770,000	770,000	1.97
	1.50	1,250,000	1,250,000	1.82
	1.60	<u>4,235,000</u>	<u>4,235,000</u>	1.97
		<u><u>6,344,520</u></u>	<u><u>6,344,520</u></u>	

NIGHTINGALE INFORMATIX CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTH INTERIM PERIOD ENDED JUNE 30, 2006**

11. INTEREST

	3 months ended June 30, 2006	Fiscal year ended March 31, 2006
Interest on bank loan	\$ 1,747	\$ 12,661
Interest on capital lease obligations	14,255	1,632
Interest on subordinated debt	82,507	-
Interest on line of credit with Greenfield	19,130	-
Notional interest on subordinated debt warrants	431,000	-
Other interest	-	6,078
	<u>\$ 548,639</u>	<u>\$ 20,371</u>

12. FINANCIAL INSTRUMENTS

a. Foreign exchange risk

The Company is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency, the Canadian dollar. Portions of revenues and expenses were denominated in U.S. dollars. At June 30, 2006, net monetary assets in the amount of \$2,111,810 (CDN\$) were denominated in U.S. dollars.

b. Fair value

The book values of the cash, accounts receivable, investment tax credit receivable, prepaid expenses, line of credit, accounts payable and accrued liabilities, current portion of capital lease obligations, and promissory note approximate their respective fair values due to the short-term nature of these instruments.

The book value of the capital lease obligations included in long-term debt approximates its fair values because management estimates that these debts with variable interest rates have no significant differences between the fair value and carrying value.

NIGHTINGALE INFORMATIX CORPORATION**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTH INTERIM PERIOD ENDED JUNE 30, 2006****13. SEGMENTED INFORMATION**

During the three month period ended June 30, 2006, the Company operated within a single operating segment across two geographical regions. Information with respect to geographic areas is as follows:

	3 months ended June 30, 2006	Fiscal year ended March 31, 2006
Revenue (CDN\$)		
Canada	\$ 628,205	\$ 3,419,812
United States	<u>2,360,901</u>	<u>793,227</u>
	<u>\$ 2,989,106</u>	<u>\$ 4,213,039</u>
Capital assets and goodwill net (CDN\$)		
Canada	\$ 1,874,149	\$ 560,203
United States	<u>10,210,830</u>	<u>-</u>
	<u>\$12,084,979</u>	<u>\$ 560,203</u>

14. COMMITMENTS

The minimum rentals payable under long-term operating and capital leases for equipment and premises, exclusive of certain operating costs for which the Company is responsible, are as follows:

Fiscal Year	Amount
2007 (remaining portion of fiscal year)	242,952
2008	313,523
2009	217,544
2010	123,604
2011	59,246