



**NIGHTINGALE INFORMATIX CORPORATION**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)  
For the Three and Six Months Ended September 30, 2006**

*The 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 SEPTEMBER 30, 2006**

	As at September 30, 2006	As at March 31, 2006
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents, Note 6	\$1,973,263	\$373,691
Accounts Receivable	2,949,578	1,371,981
Investment Tax Credits Receivable	221,191	221,191
Prepaid Expenses	367,730	349,559
	<u>5,511,762</u>	<u>2,316,422</u>
<b>Long Term Assets</b>		
Deferred Costs	147,465	372,062
Other Receivables	-	145,107
Property and Equipment, Note 7	2,701,128	1,891,530
Intangible Assets	736,711	-
Goodwill	8,728,402	4,796,386
	<u>12,313,706</u>	<u>7,205,085</u>
	<u>\$17,825,468</u>	<u>\$9,521,507</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Line of Credit	\$968,924	-
Accounts Payable and Accrued Liabilities	1,625,854	1,808,217
Current Portion of Deferred Revenue	1,851,168	1,159,405
Promissory Note Payable	224,444	1,000,000
Bank Loan Payable	-	148,782
Current Portion of Capital Lease Obligations	274,989	185,012
	<u>4,945,379</u>	<u>4,301,416</u>
<b>Long Term Liabilities</b>		
Deferred Compensation Payable to Employees	117,482	403,975
Deferred Revenue	1,150,196	1,185,481
Capital Lease Obligations	304,052	206,064
	<u>1,571,730</u>	<u>1,795,520</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital Stock, Note 8.b	18,614,462	9,160,446
Contributed Surplus, Note 9	844,017	742,503
Warrants, Note 10	1,807,749	74,235
Deficit	(9,957,869)	(6,552,613)
	<u>11,308,359</u>	<u>3,424,571</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$17,825,468</u>	<u>\$9,521,507</u>

Approved on behalf of the board:

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"Samer Chebib" Director

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"David Atkins" Director

**NIGHTINGALE INFORMATIX CORPORATION****CONSOLIDATED STATEMENT OF DEFICIT (Unaudited)  
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2006**

	<b>3 months ended September 30, 2006</b>	<b>3 months ended September 30, 2005</b>	<b>6 months ended September 30, 2006</b>	<b>6 months ended September 30, 2005</b>
Deficit, Beginning of the Period	\$ (8,873,618)	\$ (3,706,447)	\$ (6,552,613)	\$ (3,552,420)
Net Loss For the Period	<u>(1,084,251)</u>	<u>(278,818)</u>	<u>(3,405,256)</u>	<u>(432,844)</u>
Deficit, End of the Period	<u>\$ (9,957,869)</u>	<u>\$ (3,985,265)</u>	<u>\$ (9,957,869)</u>	<u>\$ (3,985,265)</u>

NIGHTINGALE INFORMATIX CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)  
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2006

	3 months ended September 30, 2006	3 months ended September 30, 2005	6 months ended September 30, 2006	6 months ended September 30, 2005
<b>Revenue</b>	\$3,492,882	\$1,168,269	\$ 6,481,988	\$2,179,559
<b>Cost of Sales</b>				
Hardware, Software and Services	936,482	39,062	2,112,023	155,009
Sales Commissions	43,934	67,016	111,161	94,602
	<u>980,416</u>	<u>106,078</u>	<u>2,223,184</u>	<u>249,611</u>
<b>Gross Profit</b>	<u>2,512,466</u>	<u>1,062,191</u>	<u>4,258,804</u>	<u>1,929,948</u>
<b>Expenses</b>				
General and Administration	765,447	298,732	1,546,971	609,177
Sales and Marketing	813,134	408,595	1,588,606	688,007
Research and Development	971,311	233,007	1,974,473	439,140
Implementation and Customer Support	620,861	194,150	1,192,504	385,447
Stock Based Compensation	156,960	159,565	380,178	149,793
Interest, Note 11	38,371	3,155	587,010	6,474
Amortization	230,633	43,805	394,318	84,754
	<u>3,596,717</u>	<u>1,341,009</u>	<u>7,664,060</u>	<u>2,362,792</u>
<b>Net Income (Loss) for the Period</b>	<u><u>\$(1,084,251)</u></u>	<u><u>\$(278,818)</u></u>	<u><u>\$(3,405,256)</u></u>	<u><u>\$(432,844)</u></u>
Net Loss per Common Share, Basic	(0.03)	(0.01)	(0.09)	(0.02)
<i>Weighted Average Number of Common Shares</i>	<i>41,817,643</i>	<i>26,468,386</i>	<i>38,313,388</i>	<i>25,730,180</i>

**NIGHTINGALE INFORMATIX CORPORATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)  
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2006**

	3 months ended September 30, 2006	3 months ended September 30, 2005	6 months ended September 30, 2006	6 months ended September 30, 2005
<b>Cash Flow from Operating Activities</b>				
Net Loss for the Period	\$(1,084,251)	\$(278,818)	\$(3,405,256)	\$(432,844)
<i>Adjustments for:</i>				
Amortization	230,633	42,557	394,318	82,904
Stock Based Compensation	156,960	159,565	380,178	149,793
Notional Interest	-	-	431,000	-
	<u>387,593</u>	<u>202,122</u>	<u>1,205,496</u>	<u>232,697</u>
<i>Changes in Non-Cash Working Capital Balances,</i>				
Decrease (Increase) in Accounts Receivable	(941,778)	305,155	(1,577,597)	622,431
Decrease (Increase) in Investment Tax Credits Receivable	-	(62,500)	-	(125,000)
Decrease (Increase) in Prepaid Expenses	125,079	(16,932)	(18,171)	(83,562)
Decrease (Increase) in Inventory	-	-	-	(88,484)
Decrease (Increase) in Common Share Subscription Receivable	-	-	-	250,000
Decrease (Increase) in Deferred Costs	(24,633)	(36,925)	223,392	(120,881)
Decrease (Increase) in Other Receivables	-	-	145,107	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(183,627)	(28,900)	(182,363)	57,115
Increase (Decrease) in Deferred Compensation Payable	24,000	(5,933)	(286,493)	(11,063)
Increase (Decrease) in Deferred Revenue	<u>295,423</u>	<u>175,793</u>	<u>656,478</u>	<u>(98,650)</u>
	(705,536)	329,758	(1,039,647)	401,906
Increase (Decrease) in Working Capital due to IHPS Acquisition	<u>(6,282)</u>	-	<u>(682,402)</u>	-
Cash flows provided from (used in) operating activities	<u>(1,408,476)</u>	<u>253,062</u>	<u>(3,921,809)</u>	<u>201,759</u>
<b>Cash Flow from Investing Activities</b>				
Purchase of Property and Equipment	(304,409)	(62,863)	(430,692)	(147,949)
IHPS Acquisition, Note 3a	-	-	(2,990,880)	-
Cash flows provided from (used in) investing activities	<u>(304,409)</u>	<u>(62,863)</u>	<u>(3,421,572)</u>	<u>(147,949)</u>
<b>Cash Flow from Financing Activities</b>				
Increase in Capital Stock	159,496	2,412,584	9,424,866	2,412,584
Decrease in Bank Loan Payable	-	(8,931)	(148,782)	(17,862)
Decrease in Due to Shareholders	-	(90,000)	-	(140,000)
Decrease In Notes Payable	(249,636)	-	(1,477,556)	-
Increase in Capital Lease Obligations	112,976	-	175,501	-
Increase in Line of Credit	<u>43,722</u>	-	<u>968,924</u>	-
Cash flows provided from (used in) financing activities	<u>66,558</u>	<u>2,313,653</u>	<u>8,942,953</u>	<u>2,254,722</u>
Net Increase (Decrease) in Cash	(1,646,327)	2,503,852	1,599,572	2,308,532
Cash (Bank Indebtedness), Beginning of Period	<u>3,619,590</u>	<u>(6,438)</u>	<u>373,691</u>	<u>188,882</u>
<b>Cash, End of Period</b>	<u>\$ 1,973,263</u>	<u>\$2,497,414</u>	<u>\$1,973,263</u>	<u>\$2,497,414</u>

## NIGHTINGALE INFORMATIX CORPORATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2006

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#### 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 date of the 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, Nightingale HealthNet Corporation, Nightingale HealthNet Canada Corporation and VisionMD (2002) Inc. 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 and six month periods ended September 30, 2006, no dilutive effect would result from the potential increase in common shares.

#### 3. BUSINESS COMBINATIONS

##### a. Acquisition of HealthNet (completed in fiscal 2006)

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 HealthNet Inc., (collectively referred to as HealthNet), providers of data management and transcription services to the healthcare community. The aggregate consideration paid by the Company was \$7,125,000 which was 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 earn-out targets over the four fiscal years following the date of the acquisition. Since the outcome of the

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2006**

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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 transaction costs 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 was accounted for by the purchase method whereby the results of operations of Healthnet, 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		37,000
Assets under capital lease		391,076
Capital leases assumed		(391,076)
Proprietary software		481,500
Intangible assets		224,778
Goodwill		<u>4,571,608</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 Company paid \$210,224 in cash for the acquisition of HealthNet for transaction costs. An additional \$29,500 of share issue costs was applied against common shares issued, resulting in total cash paid of \$239,724.

The Company has finalized the allocation of the purchase price for the acquisition as stated above. Intangible assets acquired pursuant to the Healthnet acquisition consist of customer contracts and contractual relationships and are being amortized on a straight-line basis over their estimated useful lives of 5 years. The goodwill related to this acquisition is expected to be deductible for income tax purposes.

**b. Acquisition of IHPS**

On April 1, 2006, the Company completed its purchase of the assets of Integrated Healthcare 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 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 certain 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

## NIGHTINGALE INFORMATIX CORPORATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2006

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recorded purchase price is \$4,578,210 (US\$3,913,000). Once the outcome of the contingency is determinable beyond a reasonable doubt, any 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	\$	226,301
Property and equipment, net		132,348
Assets under capital lease		9,428
Proprietary software		585,000
Intangible assets		557,176
Goodwill		4,156,794
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 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.

The Company has finalized the allocation of the purchase price for the acquisition as stated above. Intangible assets acquired pursuant to the IHPS acquisition consist of customer contract and contractual relationships and are being amortized on a straight-line basis over their estimated useful lives of 5 years. The goodwill related to this acquisition is expected to be deductible for income tax purposes.

#### 4. DEBT FINANCING

On April 27, 2006, Nightingale closed a \$7,000,000 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 \$5,000,000 in subordinated debt and a \$2,000,000 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 1,250,000 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, the \$5,000,000 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 to Greenfield Commercial Credit Inc.

## NIGHTINGALE INFORMATIX CORPORATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2006

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The \$5,000,000 in 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 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 4.

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 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

	September 30, 2006	March, 31, 2006
Cash	\$680,211	\$4,659
Term deposit	1,295,000	450,000
Bank overdraft	<u>(1,948)</u>	<u>(80,968)</u>
	<u>\$1,973,263</u>	<u>\$373,691</u>

The term deposit bears interest at a bank prime-linked variable rate and is cashable until maturity on or before June 21, 2007.

**NIGHTINGALE INFORMATIX CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2006**

**7. PROPERTY AND EQUIPMENT**

			<b>September 30, 2006</b>	<b>March 31, 2006</b>
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Office equipment	\$53,466	\$219,768	\$333,698	\$370,966
Furniture and fixtures	36,199	38,739	97,460	59,801
Proprietary software	2,191,276	533,692	1,657,584	1,121,838
Assets under capital lease - Office equipment	553,683	107,556	446,127	221,767
Assets under capital lease - Furniture and fixtures	130,174	25,325	104,849	117,158
Assets under capital lease - Software	18,784	1,409	17,375	-
Leasehold Improvements	46,036	2,001	44,035	-
	<u>\$3,629,618</u>	<u>\$928,490</u>	<u>\$2,701,128</u>	<u>\$1,891,530</u>

**8. CAPITAL STOCK**

**a. Authorized**

Unlimited	Preference shares
Unlimited	Common shares

**b. Common shares**

	<b>Number</b>	<b>Amount</b>
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	210,612	255,309
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 September 30, 2006*	<u>41,945,189</u>	<u>\$18,614,462</u>

\* 5,104,167 common shares were issued on the purchase of HealthNet. 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 September 30, 2006 are 43,611,856 shares.

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**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 six month period ended September 30, 2006 was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free rate	4.08-4.44%
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>2,762,156</u>	<u>\$ 1.21</u>
Issued	472,000	1.29
Exercised	(210,612)	0.77
Forfeited / Cancelled	<u>(61,031)</u>	<u>1.10</u>
Balance as at September 30, 2006	<u><u>2,962,513</u></u>	<u><u>\$ 1.25</u></u>

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

	Exercise Price	Number Outstanding at September 30, 2006	Exercisable	Remaining Contracted Life (Years)
Outstanding	\$0.46	144,326	105,500	1.41
	0.77	62,524	62,524	2.84
	0.91	101,663	28,640	3.38
	1.00	669,500	217,375	3.64
	1.25	580,000	-	4.32
	1.50	<u>1,404,500</u>	<u>325,000</u>	4.15
		<u><u>2,962,513</u></u>	<u><u>739,039</u></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

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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 six month period ended September 30, 2006 are as follows:

	<b>Amount</b>
Balance as at March 31, 2006	<u>\$742,503</u>
<i>STOCK OPTIONS</i>	
Expensed – options issued in current period	71,572
Expensed – options issued in previous periods	318,180
Cancelled	(9,574)
Exercised	<u>(95,063)</u>
Changes in period due to stock options	\$285,114
<i>SHARE GRANT<sup>(1)</sup></i>	
Shares issued	<u>\$(183,600)</u>
Balance as at September 30, 2006	<u><u>\$844,017</u></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.

**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 six month period ended September 30, 2006 are as follows:

	<b>Number</b>	<b>Amount</b>	<b>Weighted Average Exercise Price</b>
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 September 30, 2006	<u><u>6,344,520</u></u>	<u><u>\$1,807,749</u></u>	<u><u>\$1.54</u></u>

NIGHTINGALE INFORMATIX CORPORATION

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ii. Summarized information relative to warrants outstanding and exercisable

	Exercise Price	Number Outstanding at September 30, 2006	Exercisable	Remaining Contracted Life (Years)
Outstanding	\$1.00	89,520	89,520	0.42
	1.30	770,000	770,000	1.72
	1.50	1,250,000	1,250,000	1.57
	1.60	<u>4,235,000</u>	<u>4,235,000</u>	1.72
		<u>6,344,520</u>	<u>6,344,520</u>	

11. INTEREST

	3 months ended September 30, 2006	6 months ended September 30, 2006	Fiscal year ended March 31, 2006
Interest on bank loan	-	1,747	12,661
Interest on capital lease obligations	17,316	31,571	1,632
Interest on subordinated debt	-	82,507	-
Interest on line of credit with Greenfield	18,787	37,917	-
Notional interest on subordinated debt warrants	-	431,000	-
Other interest	<u>2,269</u>	<u>2,269</u>	<u>6,078</u>
	<u>38,371</u>	<u>587,010</u>	<u>20,372</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 September 30, 2006, net monetary assets in the amount of \$496,171 (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.

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**13. SEGMENTED INFORMATION**

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

	<b>3 months ended September 30, 2006</b>	<b>6 months ended September 30, 2006</b>	<b>Fiscal year ended March 31, 2006</b>
<b>Revenue (CDN\$)</b>			
Canada	\$1,130,691	\$1,758,895	\$3,419,812
United States	<u>2,362,191</u>	<u>4,723,092</u>	<u>793,227</u>
	<u><u>\$3,492,882</u></u>	<u><u>\$6,481,988</u></u>	<u><u>\$4,213,039</u></u>
		<b>As at September 30, 2006</b>	<b>As at March 31, 2006</b>
<b>Capital assets and goodwill net (CDN\$)</b>			
Canada		\$2,024,677	\$1,881,330
United States		<u>9,327,194</u>	<u>4,806,586</u>
		<u><u>\$11,351,870</u></u>	<u><u>\$6,687,916</u></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:

<b>Fiscal Year</b>	<b>Amount</b>
2007 (remaining portion of fiscal year)	\$206,382
2008	313,523
2009	217,544
2010	123,604
2011	59,246