



NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") For the three month period ended June 30, 2009

Management's Discussion and Analysis (MD&A) supplements, but does not form part of the consolidated financial statements and notes of Nightingale Informatix Corporation ("Nightingale" or the "Company") for the period.

This MD&A, prepared as of August 28, 2009, should be read in conjunction with the Company's March 31, 2009 Audited Consolidated Annual Financial Statements and Notes as well as with the Company's Unaudited Consolidated Interim Financial Statements for the period ended June 30, 2009.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009

This MD&A provides an overview of significant developments that have affected Nightingale Informatix Corporation's ("Nightingale" or "the Company") performance during the three-month period ended June 30, 2009.

The unaudited interim consolidated financial statements referred to in this MD&A have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Nightingale does however use Non-GAAP measures such as EBITDA herein (see section 4 Non-GAAP Measures).

All figures herein are expressed in Canadian dollars unless otherwise noted.

This MD&A contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved", as well as those specifically identified herein.

Cautionary Note Regarding Forward-Looking Statements

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Nightingale to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to the speculative nature of the medical software industry, which is affected by numerous factors beyond Nightingale's control; the Company's ability to succeed in the US market, a new market for the Company; the existence of present and possible future government regulation; Nightingale's ability to successfully integrate its acquisitions and any liabilities arising as a result of such acquisitions; the significant and increasing competition that exists in the medical software industry; and the early stage of Nightingale's business. The Company is subject to the risks associated with early stage companies, including uncertainty of revenues, markets and profitability and the ability to access debt or equity financing, as necessary. Although Nightingale has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. All material assumptions used in making forward-looking statements are based on management's knowledge of current business conditions and expectations of future business conditions and trends, including their knowledge of the current sales trends, spending on healthcare and general economic conditions affecting Nightingale and the Canadian and US economies. Although Nightingale believes the assumptions used to make such statements are reasonable at this time and has attempted to identify in its continuous disclosure documents important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Certain material factors or assumptions are applied by the Company in making forward-looking statements, including without limitation, factors and assumptions regarding, acceptance of its products in the marketplace, as well as its operating cost structure and current and future trends in healthcare spending. Accordingly, readers should not place undue reliance on forward-looking statements. Nightingale does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009

Non-GAAP Measures

The Company internally measures its performance and results of initiatives through a number of measures that are not recognized under Canadian GAAP and may not be comparable to similar measures used by other companies. Measures such as EBITDA and Recurring and Non-Recurring Revenue are used by the Company, as it believes this information would be useful to investors to help evaluate the performance of the Company. Investors should be cautioned, however, that EBITDA and Recurring and Non-Recurring Revenue should not be construed as an alternative to total revenues or net loss as determined in accordance with GAAP (see section 5b under Non-GAAP Measures for more information).

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009

1. OVERVIEW

Business Description

Established in 2002, Nightingale (TSX-V: NGH) has more than 13,000 healthcare practitioners on its technology platform. With 5.3 million patient records under management on its flagship Application Service Provider (ASP) Electronic Medical Record (EMR) solution, Nightingale is a recognized industry leader in Web-based clinician and community-based EMR. The Company's comprehensive suite of EMR, Electronic Health Records (EHR), integrated practice management, transcription and revenue cycle management products and services enable physicians at primary care practices, multi-physician outpatient clinics, hospitals, government and regional health organizations to automate business and clinical functions. Nightingale provides healthcare practitioners with the tools to effectively migrate from a paper-based environment to a secure digital platform, enhancing patient care, increasing revenue opportunities and optimizing operations.

Nightingale's Strategy

As an early entrant into the market with a unique EMR technology solution, Nightingale has established itself as a leading healthcare software and service provider in Canada, boasting contract wins with a key hospital, provincial and territory governments and a large-scale provincial government funding agency. Through a series of strategic acquisitions, the Company has positioned itself as an emerging player in the US healthcare industry with a broad customer base. Nightingale has developed a North American footprint, developed a comprehensive suite of complementary healthcare software solutions and associated services and put the team in place to take advantage of the increasing opportunities within the Canadian and US healthcare market. To leverage the value Nightingale has created in the business, the Company is primarily focused on three organic growth objectives:

1. Increase the number of healthcare practitioners on the Nightingale platform

In Canada, Nightingale is targeting provincial funding initiatives and other enterprise opportunities. In the US, the Company continues to work to build brand equity, establish regional beachheads where there are industry catalysts, and build relationships with large buying groups to sell its suite of offerings to primary care practices, multi-physician outpatient clinics, hospitals, government and regional health organizations.

2. Leverage the broad client base to cross-sell its products:

In addition to its technology, Nightingale's most valuable asset is its current client base of healthcare providers. This client base represents a material recurring revenue opportunity. The Company offers an extensive suite of healthcare service and software solutions to meet the varying needs of the 13,000 healthcare practitioners on its technology platform. Nightingale is leveraging its ability to serve as an end-to-end solution provider to further penetrate its existing customer base. As Nightingale's healthcare practitioner base is comprised of physicians, specialist and other healthcare professionals, the Company views approximately 50% of its existing 13,000 customers as addressable cross-sell opportunities.

3. Establish new revenue streams

Nightingale will work to extend the reach of its healthcare technology solutions to meet the needs of patients. Starting in fiscal 2009, Nightingale launched patient-centric product and service offerings throughout North America. The Company will primarily focus on capitalizing on the more than 5.3 million patients whose records are already managed on the Company's ASP EMR.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009

Revenue Model

Nightingale's revenue model is based primarily on generating revenue from physicians and health-care providers directly or indirectly through their buying groups, such as hospitals, health-care associations and government agencies through the delivery of proprietary software and services.

Nightingale's revenue is derived from a variety of software and related service offerings. For its software solutions, Nightingale has typically charged an up-front software licence fee along with support and maintenance fees charged monthly, quarterly or annually. The Company also offers a utilization fee model which combines software license, hosting, support and maintenance fees in a single monthly fee. Implementation and training services are offered under both licensing models and are typically recognized as services are rendered. For data management and transcription services, Nightingale charges per report or per minute transcribed and for billing services, a percentage of amounts collected. For electronic transactions, Nightingale charges a flat monthly fee per provider or a per claim fee and for statements, a per statement fee. For both transcription and electronic transactions revenue is recognized as the services are provided.

First Quarter 2010 Highlights

- Total revenues decreased \$0.8 million, or 16%, to \$4.1 million from \$4.9 million for the quarter ended June 30, 2008.
- Recurring revenues (see definition in section 4.b under Non-GAAP Measures) increased 8% to nearly \$3.6 million from the same quarter last fiscal year.
- Non-Recurring Revenue decreased 65% versus the same quarter last fiscal year. The decrease in Non-Recurring Revenue is primarily a result of lower software revenue, as the Company recognized \$1 million of Nightingale on Demand EMR software license revenue relating to a Canadian government agency in the same quarter last fiscal year.
- The change in the value of the US dollar is estimated to have positively impacted revenue over the fiscal quarter ended June 30, 2009 by approximately 11%, or \$0.4 million, versus the same quarter last fiscal year.
- The Company achieved its second consecutive quarter of positive EBITDA. EBITDA (see definition in section 5.a under Non-GAAP Measures) for the fiscal quarter ended June 30, 2009, was a positive \$0.02 million, compared to an EBITDA loss of \$0.2 million for the fiscal quarter ended June 30, 2008.
- Expenses for the fiscal quarter ended June 30, 2009 decreased \$1 million, or 23%, from the same quarter last fiscal year.
- Loss and comprehensive loss was \$0.8 million compared to loss and comprehensive loss of \$1.3 million for the same quarter last fiscal year.
- In July 2009, the Company amended its debt financing agreements and extended the term through July 2012.
- The Company was selected to provide its web-based OntarioMD Certified Nightingale On Demand EMR to the North Burlington Medical Centre, where the application will be used by more than 30 full and part-time physicians providing family practice, pediatrics and walk-in (urgent care) medical services with over 75,000 patients visits per year. No revenue was recognized related to this contract during the quarter ended June 30, 2009.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009

2. DISCUSSION OF OVERALL PERFORMANCE, RESULTS OF OPERATIONS AND FINANCIAL CONDITION

	Fiscal Year Ended	Q2 Ended	Q3 Ended	Q4 Ended	Fiscal Year Ended	Q1 Ended	Q2 Ended	Q3 Ended	Q4 Ended	Fiscal Year Ended	Q1 Ended
In \$ 000's (Except per Share Amounts)	March 31, 2007	Sept 30, 2007	Dec 31, 2007	March 31, 2008	March 31, 2008	June 30, 2008	Sept 30, 2008	Dec 31, 2008	March 31, 2009	March 31, 2009	June 30, 2009
Recurring Revenue	\$9,828	\$3,399	\$3,229	\$3,247	\$13,088	\$3,309	\$3,431	\$4,045	\$3,746	\$14,531	\$3,564
Non-Recurring Revenue	4,186	2,358	713	931	5,788	1,637	815	511	971	3,934	566
Revenue	14,014	5,757	3,942	4,178	18,876	4,946	4,246	4,556	4,717	18,465	4,130
Gross Profit	9,589	4,318	2,660	2,979	13,706	3,669	3,164	3,272	3,305	13,410	2,937
Expenses	14,856	5,084	5,220	4,739	19,957	4,561	4,275	4,022	3,962	16,820	3,508
EBITDA Income (Loss)	(3,841)	(158)	(1,799)	(1,188)	(3,526)	(236)	(458)	(34)	9	(719)	22
Operating Loss for the Period	(5,267)	(766)	(2,561)	(1,761)	(6,250)	(892)	(1,112)	(750)	(656)	(3,410)	(571)
Loss and Comprehensive Loss	(5,713)	(1,428)	(3,324)	(6,273)	(12,811)	(1,260)	(1,492)	(876)	(1,004)	(4,632)	(844)
Loss and Comprehensive Loss per Common Share	\$(0.14)	\$(0.02)	\$(0.05)	\$(0.09)	\$(0.19)	\$(0.02)	\$(0.02)	\$(0.01)	\$(0.01)	\$(0.07)	\$(0.01)
Weighted Avg. # of Common Shares	40,120	66,914	66,914	67,460	66,228	67,479	67,479	67,667	67,845	67,845	69,322
Total Assets	\$17,531	\$38,557	\$36,257	\$23,992	\$23,992	\$21,807	\$20,308	\$20,078	\$17,906	\$17,906	\$16,413
Total Long Term Liabilities	\$2,014	\$11,831	\$12,097	\$6,948	\$6,948	\$6,366	\$6,251	\$6,234	\$6,517	\$6,517	\$6,309

FIRST QUARTER FISCAL 2010 RESULTS OF OPERATIONS COMPARED TO FIRST QUARTER FISCAL 2009

Revenue: For the three months ended June 30, 2009, revenue was \$4.1 million. This compares to \$4.9 million for the three months ended June 30, 2008, representing a 16% decrease over these respective periods. This decrease was due primarily to a decrease in software license revenue which was partially offset by an increase in revenues from billing and financial management revenues.

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MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009

Recurring Revenue (see definition in section 4.b under Non-GAAP Measures) is comprised of utilization fees, hosting, support and maintenance revenue, data management and transcription services, billing and financial management services and transactional fees.

Recurring Revenue for the three months ended June 30, 2009 was \$3.6 million. This compares to \$3.3 million for the three ended June 30, 2008, representing an 8% increase over these respective periods. The increase in Recurring Revenue over the same period last fiscal year is primarily a result of increases in billing and financial management revenues and the strengthening of the US dollar relative to the Canadian dollar versus the same period last fiscal year. This increase was partially offset by a decrease in data management and transcription services revenue.

Non-Recurring Revenue (see definition in section 4.b under Non-GAAP Measures) is comprised of revenues generated from sales of software and systems and related training, data conversion and installation services.

Non-Recurring Revenue for the three months ended June 30, 2009 was \$0.6 million compared to \$1.6 million for the three months ended June 30, 2008, representing a 65% decrease over these periods. The decrease in Non-Recurring Revenue is primarily due to a decrease in software revenue, as the Company recognized \$1 million of software revenue related a Canadian government agency in the same quarter last fiscal year.

During the three months ended June 30, 2009, the Company generated 78% of its revenue from the US market. With the increase in the value of the US dollar relative to the Canadian dollar, the Company estimates that revenue was positively impacted by approximately 10%, or \$0.4 million, during the current three months compared to the same three months of the previous fiscal year.

Gross Profit: For the three months ended June 30, 2009, gross profit was \$2.9 million, or 71% of revenue (gross profit margin), compared to \$3.7 million, with gross profit margin of 74% for the same quarter last fiscal year. The decrease in the gross profit margin is primarily the result of the decrease in high margin software revenues.

Expenses: Expenses for the three months ended June 30, 2009, were \$3.5 million compared to \$4.6 million for the three months ended June 30, 2008, representing a 23% decrease over these periods. This decrease in expense was the result of the Company's implementation of several cost reduction measures throughout 2008, particularly in the December 2008 quarter. This decrease was partially offset by a higher US dollar relative to the Canadian dollar versus the same quarter last fiscal year. Although the Company is focused on prudent expense management as it seeks to achieve profitability, the Company will continue to re-deploy resources and may invest in new employees for select job functions as it expands its product offering, sales and marketing programs and delivery capabilities in support of revenue generating initiatives.

Nightingale's expenses are affected by changes in the US dollar exchange rate, with approximately 52% of the Company's expenses during the three months ended June 30, 2009 generated in the US, providing the Company with a natural hedge position offsetting some of the effects that the fluctuations in the foreign exchange rate have on revenues. The Company estimates that expenses were negatively impacted by approximately 7% or \$0.3 million over the three months versus the same period during the previous fiscal year.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009

General and administration expenses for the three months ended June 30, 2009, were \$0.8 million. This compares to \$0.9 million for the three months ended June 30, 2008, representing a \$0.1 million, or 10% decrease over the periods. The decrease in general and administration reflects the Company's expense management initiatives implemented primarily during the third quarter of fiscal 2009.

Sales and marketing expenses for the three months ended June 30, 2009, were \$0.4 million. This compares to \$0.7 for the three months ended June 30, 2008, representing a 39% decrease over the periods. This decrease in expenses was the result of the departure of a senior staff member during 2008 as well as a decrease in costs associated with third party public relations activities.

Research and development expenses for the three months ended June 30, 2009, were \$0.7 million. This compares to \$1.1 million for the three months ended June 30, 2008, representing a 31% decrease over the periods. The decrease in research and development can be primarily attributed to the Company's cost reduction efforts, including a reduction in spending on contract labour as development projects were prioritized and brought in house.

Client services expenses for the three months ended June 30, 2009, were \$1 million. This compares to \$1.3 million for the three months ended June 30, 2008, representing a 23% decrease over the periods. This decrease is primarily attributable to the Company's continued integration and cost management efforts with respect to staffing and consulting costs.

Stock-based compensation for the three months ended June 30, 2009, was \$0.03 million. This compares to \$0.04 million for the three months ended June 30, 2008.

Depreciation and amortization for the three ended June 30, 2009, was \$0.6 million. This compares to \$0.6 million for the three months ended June 30, 2008.

EBITDA (non-GAAP measure, see note 5.a for a definition): EBITDA for the three months ended June 30, 2009, was a positive \$0.02 million compared to an EBITDA loss of \$0.2 million for the three months ended June 30, 2008. The Company has been focused on achieving profitability and has implemented several cost reduction initiatives during the fiscal year in an effort to achieve this goal. This improvement in EBITDA is a reflection of these initiatives as well as an increase in Recurring-Revenue and the strengthening of the US dollar compared to the same quarter of the previous fiscal year.

Operating Loss: For three months ended June 30, 2009, operating loss was \$0.6 million compared to operating loss of \$0.9 million for the three months ended June 30, 2008. The improvement in operating loss can be primarily attributed to an improvement in EBITDA and, to a lesser extent, lower stock based compensation and amortization expenses.

Interest and Other Income/ Loss: Interest charges for the three months ended June 30, 2009 were \$0.3 million compared to \$0.4 million for the three months ended June 30, 2008. This decrease over last fiscal year is largely a result of reduced interest associated with the repayment of subordinated debt of \$0.5 million in September 2008 and \$0.25 million in November 2008.

Included in other income/loss are foreign currency adjustments related to monetary translations. For the three months ended June 30, 2009, other income was \$0.04 million compared to a loss of \$0.01 million for the three months ended June 30, 2008.

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MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009

Loss and Comprehensive Loss: For the three months ended June 30, 2009, loss and comprehensive loss was \$0.8 million compared to a loss and comprehensive loss of \$1.3 million for the three months ended June 30, 2008. The improvement in loss and comprehensive loss in the respective periods can be primarily attributed to cost reductions initiatives as well as an increase in Recurring-Revenue. As well, the improvement in loss and comprehensive loss in the respective periods can also be partially attributed to the strengthening of the US dollar compared to the same quarter last fiscal year. Going forward, the Company's financial results will continue to be impacted by changes in the rate of exchange between the US Dollar and the Canadian Dollar. The improvement in loss and comprehensive loss over the respective periods was partially offset by a decrease in software revenues related to the recognition of \$1 million of Nightingale on Demand EMR software license revenue relating to a Canadian government agency in the quarter ended June 30, 2008.

FIRST QUARTER FISCAL 2010 RESULTS OF OPERATIONS COMPARED TO FOURTH QUARTER FISCAL 2009

Revenue: For the three months ended June 30, 2009, revenue was \$4.1 million. This compares to \$4.7 million for the three months ended March 31, 2009, representing a 12% decrease over these respective periods. This decrease was due primarily to a decrease in software license revenue which was partially offset by an increase in revenues from professional services.

Recurring Revenue (see definition in section 4.b under Non-GAAP Measures) is comprised of utilization fees, hosting, support and maintenance revenue, data management and transcription services, billing and financial management services and transactional fees.

Recurring Revenue for the three months ended June 30, 2009 was \$3.6 million. This compares to \$3.7 million for the three ended March 31, 2009, representing a 5% decrease over these respective periods. The decrease in Recurring Revenue over the previous quarter was primarily the result of a decrease in data management and transcription revenues as well as a decrease in the foreign exchange rate from the three months ended March 31, 2009 to the three months ended June 30, 2009.

Non-Recurring Revenue (see definition in section 4.b under Non-GAAP Measures) is comprised of revenues generated from sales of software and systems and related training, data conversion and installation services.

Non-Recurring Revenue for the three months ended June 30, 2009 was \$0.6 million compared to \$1 million for the three months ended March 31, 2009, representing a 42% decrease over these periods. The decrease in Non-Recurring Revenue is primarily due to a decrease in software revenue, as the Company recognized certain license revenues associated with the sale of additional licenses to an existing customer in the quarter ended March 31, 2009.

During the three months ended June 30, 2009, the Company generated 78% of its revenue from the US market. With the decrease in the value of the US dollar relative to the Canadian dollar during the consecutive quarters, the Company estimates that revenue was negatively impacted by approximately 5%, or \$0.2 million, during the current three months compared to the previous quarter.

Gross Profit: For the three months ended June 30, 2009, gross profit was \$2.9 million, or 71% of revenue (gross profit margin), compared to \$3.3 million, with gross profit margin of 70% for the last quarter of the last fiscal year.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009

Expenses: Expenses for the three months ended June 30, 2009, were \$3.5 million compared to \$4 million for the three months ended March 31, 2009, representing an 11% decrease over these periods. This decrease in expense was the result of the decrease in the foreign exchange rate during the consecutive quarters and the impact on the US dollar based expenses.

Nightingale's expenses are affected by changes in the US dollar exchange rate, with approximately 52% of the Company's expenses during the three months ended June 30, 2009 generated in the US, providing the Company with a natural hedge position offsetting some of the effects that the fluctuations in the foreign exchange rate have on revenues. The Company estimates that expenses were positively impacted by approximately 3% or \$0.1 million over the three months versus the previous quarter.

General and administration expenses for the three months ended June 30, 2009, were \$0.8 million. This compares to \$1 million for the three months ended March 31, 2009, representing a \$0.2 million, or 21% decrease. The decrease in general and administration reflects the Company's expense management initiatives implemented primarily during the third quarter of fiscal 2009.

Sales and marketing expenses for the three months ended June 30, 2009 and the three months ended March 31, 2009, were \$0.4 million.

Research and development expenses for the three months ended June 30, 2009, were \$0.7 million. This compares to \$0.9 million for the three months ended March 31, 2009, representing a 15% decrease from the previous quarters. The decrease is primarily related to a decrease in development expenses associated with the data management and transcription business.

Client services expenses for the three months ended June 30, 2009 and the three months ended March 31, 2009, were \$1 million.

Stock-based compensation for the three months ended June 30, 2009, was \$0.03 million. This compares to expense of Nil for the three months ended March 31, 2009.

Amortization for the three ended June 30, 2009, was \$0.6 million. This compares to \$0.7 million for the three months ended March 31, 2009.

EBITDA (non-GAAP measure, see note 5.a for a definition): EBITDA for the three months ended June 30, 2009, was a positive \$0.02 million compared to positive EBITDA of \$0.01 million for the three months ended March 31, 2009.

Operating Loss: For three months ended June 30, 2009, operating loss was \$0.6 million compared to operating loss of \$0.7 million for the three months ended March 31, 2009.

Interest and Other Income/ Loss: Interest charges for the three months ended June 30, 2009 were \$0.3 million compared to \$0.4 million for the three months ended March 31, 2009.

Included in other income/loss are foreign currency adjustments related to monetary translations. For the three months ended June 30, 2009, other income was \$0.04 million compared to income of \$0.02 million for the three months ended March 31, 2009.

NIGHTINGALE INFORMATIX CORPORATION

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Loss and Comprehensive Loss: For the three months ended June 30, 2009, loss and comprehensive loss was \$0.8 million compared to a loss and comprehensive loss of \$1 million for the three months ended March 31, 2009.

3. LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents on June 30, 2009 were \$2.5 million.

Cash Flow from Operating Activities: Cash of \$1 million was used in operating activities in the quarter ended June 30, 2009 compared to cash used of \$0.5 million for the quarter ended June 30, 2008. The most significant adjustments to the net loss in the quarter ended June 30, 2009 were related to a decrease in accounts payable and accrued liabilities. The most significant adjustments in the quarter ended June 30, 2008 were related to a decrease in other receivables related to the receipt of escrow funds due following the Company's sale of its Helper division as well as a decrease in accounts receivable which was partially offset by a decrease in accounts payable and accrued liabilities.

Cash Flow from Investing Activities: During the three months ended June 30, 2009, cash was used to purchase property and equipment in the amount of \$0.02 million compared to \$0.06 million during the same three month period last fiscal year.

Cash Flow from Financing Activities: Cash was used to repay capital lease obligations in the amount of \$0.08 million in the quarter ended June 30, 2009 compared to \$0.1 million during the three months ended June 30, 2008.

In the second quarter of fiscal 2009, the Company experienced a breach of a financial covenant under the loan agreement with its lenders. The Company received a waiver of the breach from the lenders and certain covenants and other terms of the subordinated debt agreement were amended.

In May 2009, the Company amended its debt financing agreements with the Lenders and agreed to issue to the Lenders an aggregate of 2,858,663 common shares and cancel the 7,994,186 warrants held by such Lenders. The issuance of shares and cancelation of warrants have been approved by TSX Venture Exchange. The common shares are subject to a four-month hold period expiring on September 8, 2009. In July 2009, the Company amended its debt financing agreements to extend the term through July 2012 at which point the remaining principal balance of \$5,250,000 will be due. Certain terms and covenants were also amended in July 2009 and the Company agreed to issue 4,233,870 warrants with a strike price of \$0.31 per share and with an expiration date of July 29, 2012. Such warrants were approved by the TSXV in July 2009.

At June 30, 2009, the Company had \$2.5 million of cash and cash equivalents, negative working capital of \$2.6 million (including current deferred revenue of \$4.1 million) and used \$1 million of cash in its operations for the quarter ended June 30, 2009. The Company is also required to adhere to certain financial covenants in connection with its subordinated debt agreements. In order for the Company to achieve and sustain positive operating cash flow, working capital or profitability and in order to meet its financial covenants, the Company will need to continue to generate and increase revenues from non-recurring sources, protect its recurring revenues and capital resources and may need to make additional changes to its cost structure and operating plan.

NIGHTINGALE INFORMATIX CORPORATION

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It should also be noted that to date, Nightingale has not generated significant or consistent positive cash flow from operating activities and the Company remains dependent on new sales to minimize its use of cash. To the extent that the Company's utilization model, which does not generally require a large upfront payment, is favoured in future periods, the Company may experience a decrease in up front cash flows from new sales. The Company may seek to raise additional funds for working capital purposes and capital expenditures. Based on its historical financial performance and the current condition of the credit markets, financing may not be available on terms acceptable to the Company or at all. If adequate funds are not available on acceptable terms, the Company's ability to fund operations, make investments or take advantage of opportunities could be limited without an increase in sales. The impact of expenditures for investments in the Company's infrastructure or capital equipment on cash resources will be minimized by attempting to align spending with the availability of third party equipment financing.

The Company believes that its current business plan provides for these factors and as such believes that its cash and cash equivalents will be sufficient to meet the Company's cash flow needs for the foreseeable future. Despite the Company's financial management efforts; however, there can be no assurance that the Company's plans will succeed or that the Company will be able to comply with its financial covenants. Although the Company has obtained waivers for breach of financial covenants in the past; there can be no assurances that such waivers would be granted in the event of any future violation of covenants and the Company's ability to repay the debt in such as case would be limited.

4. NON-GAAP MEASURES

The Company internally measures its performance and results of initiatives through a number of measures that are not recognized under Canadian generally accepted accounting principles (GAAP) and may not be comparable to similar measures used by other companies.

a. EBITDA

The Company has included an EBITDA measurement since it believes that this information would be useful to investors to help evaluate the performance of the Company. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net earnings as determined in accordance with GAAP. The Company's method of calculating EBITDA may differ from the methods used by other companies and, accordingly, it may not be comparable to similarly titled measures used by other companies.

EBITDA is a non-GAAP measure that management believes is a useful supplemental measure of operating performance prior to other loss (income), interest, income taxes, depreciation, amortization, and stock-based compensation. Management believes it is useful to exclude these items as they are either non-cash expenses, items that cannot be influenced by management in the short term, or items that do not impact core operating performance, and Management uses this information internally for forecasting and budgeting purposes.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2009

The following provides a reconciliation of EBITDA to Loss and Comprehensive Loss from Continuing Operations:

Definition	Fiscal Quarter Ended June 30, 2009	Fiscal Quarter Ended June 30, 2008
Loss and Comprehensive Loss	\$ (844)	\$ (1,259)
<i>Adjustments for:</i>		
Other Loss (Income)	(44)	12
Interest	316	356
Depreciation and Amortization	569	612
Stock-based Compensation	25	43
EBITDA	\$ 22	\$ (236)

b. Recurring and Non-Recurring Revenue

The Company has included a Recurring Revenue and a Non-Recurring Revenue measurement since it believes that this information would be useful to investors to help evaluate the performance of the Company. Investors should be cautioned, however, that Recurring Revenue and Non-Recurring Revenue should not be construed as an alternative to revenue as determined in accordance with GAAP.

Non-Recurring Revenue includes software, hardware and client services revenues from training, implementation and customization services. Recurring Revenue consists of support and maintenance revenue, data management and transcription services, billing and financial management services and transactional fees.

The following provides a reconciliation of Recurring Revenue and Non-Recurring Revenue to Revenue:

Definition	Fiscal Quarter Ended June 30, 2009	Fiscal Quarter Ended June 30, 2008
Non-Recurring Revenue	\$ 566	\$ 1,637
Recurring Revenue	3,564	3,309
Revenue	\$ 4,130	\$ 4,946

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5. TRANSACTIONS WITH RELATED PARTIES

At June 30, 2009 the Company had deferred compensation balance of \$117,905 payable to an officer and director of the Company. The balance is payable on demand and is included in accounts payable and accrued liabilities at June 30, 2009.

6. RECENT EVENTS

Subordinated Debt Warrants

In May 2009, the Company amended its debt financing agreements with the Lenders and has agreed to issue to the Lenders an aggregate of 2,858,663 common shares and cancel the 7,994,186 warrants held by such Lenders. The issuance of shares and cancelation of warrants have been approved by TSX Venture Exchange. The common shares are subject to a four-month hold period expiring September 8, 2009.

In July 2009, the Company amended its debt financing agreements to extend the term through July 2012 at which point the remaining principal balance of \$5,250,000 will be due. Certain terms and covenants were also amended in July 2009 and the Company agreed to issue 4,233,870 warrants with a strike price of \$0.31 per share and with an expiration date of July 29, 2012. Such warrants were approved by the TSXV in July 2009.

7. RECENT ACCOUNTING PRONOUNCEMENTS

(i) Canadian standards

In February 2008, CICA issued Handbook Section 3062 "Goodwill and Intangible Assets", which replaces the existing Sections 3062 "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs." The new standard introduces changes to recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets are equivalent to the corresponding provisions of International Financial Reporting Standard IAS 38, "Intangible Assets." The new standard also provides guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 with earlier adoption encouraged. The Company has adopted this new guidance effective April 1, 2009. The adoption of this guidance did not have a material impact on the Company's financial position, results of operations or cash flows.

(ii) Convergence with International Financial Reporting Standards

On February 13, 2008, Canada's Accounting Standards Board ("AcSB") confirmed the date of changeover from GAAP to International Financial Reporting Standards ("IFRS"). Canadian publicly accountable enterprises must adopt IFRS for their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently in the preliminary stages of its IFRS conversion plan.

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8. RISKS AND UNCERTAINTIES

Readers are encouraged to read the section entitled "Risk Factors" in the Company's fiscal 2009 Management's Discussion and Analysis for a discussion of the factors that could affect the Company's future performance.

9. DISCLOSURE OF OUTSTANDING SHARE DATA

	Authorized	Issued as at June 30, 2009
Common Shares, Voting	Unlimited	72,295,218 ⁽¹⁾
Preferred Shares	Unlimited	-
Stock Options – Issued and Outstanding		3,141,318
Warrants – Issued and Outstanding		-(2)

(1) As at June 30, 2009, 94,008 restricted shares to officers of VantageMed remained issued. These shares have restricted terms based on continued employment over a three year period, with the restriction ending in April 2010. As well, 1,666,667 common shares issued upon the purchase of HealthNet are subject to a performance escrow period ending in fiscal 2010. Both of these balances were excluded from the total outstanding balance in the June 30, 2009 interim consolidated financial statements, due to their unvested status.

(2) In May 2009, the Company amended its debt financing agreements with Wellington Financial LP and Export Development Canada ("the Lenders") and has agreed to issue to the Lenders an aggregate of 2,858,663 common shares and cancel the 7,994,186 warrants held by such Lenders as described in Section 6, "Recent Events" above.

10. OUTLOOK

See "Cautionary Note Regarding Forward-Looking Statements"

Last fiscal year, the Company focused primarily on integration efforts and cost reduction initiatives and has largely achieved its objective of improved profitability by reducing its fiscal losses. Nightingale enters fiscal 2010 focused on continued modest improvements to its financial performance, striving to achieve consistently positive cash flow and positive EBITDA. The Company is working to drive revenue growth through its three key organic initiatives: increasing the number of healthcare practitioners on the Nightingale platform, leveraging its broad client base to cross-sell its products and introducing new revenue streams with the launch of patient-centric offerings.

Nightingale believes that the healthcare technology market is largely isolated from the current economic downturn due in part to major industry catalysts that are developing in both the Canadian and US markets:

1. The US government recently approved a stimulus package which includes major incentives for physicians to adopt EMR. While the details are still developing, it appears that this funding will be a major catalyst for the adoption of EMR in the US.

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2. The Ontario government published their eHealth strategy announcing new funding for health care IT in the province. Nightingale expects that will be a catalyst for Nightingale's business in Canada.

Organic revenue growth is a critical objective for the Company in fiscal 2010. The Company is also monitoring its operating expenses and cash flows closely as it strives to reach positive cash flow and profitability. Nightingale anticipates the need to invest in its business to protect its recurring revenues and to support future growth. However, the Company remains committed to tightly controlling its expenses and capital resources.

Nightingale has a unique North American market position built upon a comprehensive suite of products and services that improves the efficiency of operations and creates revenue opportunities for healthcare practitioners, as well as enhances the quality of care for patients. Nightingale's growing sales pipeline, coupled with its existing base of 13,000 healthcare practitioners and more than 5.3 million patients, positions the Company for continued success.

11. ADDITIONAL INFORMATION

Additional information on Nightingale can be found at www.sedar.com under Nightingale Informatix Corporation.