



NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") For the three and six month interim periods ended September 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 November 23, 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 September 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 and six month periods ended September 30, 2009.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTH PERIODS ENDED SEPTEMBER 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; access to debt and equity financing and agreements with its Lenders; 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 Nightingale's continued ability to fund its business, rates of customer defaults, relationship with, and payments to its Lenders, 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.

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

NIGHTINGALE INFORMATIX CORPORATION

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

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 4b under Non-GAAP Measures for more information).

1. OVERVIEW

Business Description

Established in 2002, Nightingale (TSX-V: NGH) 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. 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 its sales and marketing activities in areas covered by provincial funding initiatives and other enterprise opportunities. In reaction to the incentive programs announced by the US government for adoption of EMR, the Company is working diligently towards certifying its US EMR product, and will continue to monitor certification requirements as they are announced. The Company also continues to work to build brand equity and establish regional beachheads and is building on its relationships with the intent 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 healthcare practitioners on its technology platform. Nightingale is leveraging its ability to serve as an

NIGHTINGALE INFORMATIX CORPORATION

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

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 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.

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 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.

Second Quarter and Year to Date Highlights

- The Company achieved its third consecutive quarter of positive EBITDA for the quarter ended September 30, 2009 and was \$0.2 million compared to a loss of \$0.5 million for the quarter ended September 30, 2008. EBITDA was a positive \$0.2 million for the six months ended September 30, 2009 compared to a negative \$0.7 million for the six months ended September 30, 2008.
- Revenues for the quarter ended September 30, 2009 were \$3.9 million compared to \$4.2 million for the year ago quarter. Revenues were \$8.1 million for the six months ended September 30, 2009 compared to \$9.2 million for the six months ended September 30, 2008.
- Recurring revenues decreased 3% in the quarter ended September 30, 2009 compared to the year ago quarter and increased 2% in the six month period ended September 30, 2009 compared to the six month period one year ago.
- Non-Recurring revenues decreased 28%, or \$0.2 million, in the quarter compared to the year ago quarter and decreased 53%, or \$1.3 million, in the six month period compared to the six month period one year ago.
- The change in the value of the US dollar is estimated to have positively impacted revenue by approximately 4%, or \$0.2 million, in the quarterly periods and approximately 7%, or \$0.6 million, in the six month periods, versus the year ago quarterly and six month periods.
- Loss and comprehensive loss decreased to \$0.7 million from \$1.6 million in the quarterly periods and decreased to \$1.6 million from \$2.8 million for the six months ended September 30, 2008.

NIGHTINGALE INFORMATIX CORPORATION

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

- Expenses for the quarter ended September 30, 2009 decreased \$0.9 million, or 22%, from the same quarter last year and decreased \$2 million, or 23%, during the six month periods.
- In July 2009, the Company amended its debt financing agreements and extended the term of its debt through July 2012.
- In July 2009, 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.
- In August 2009, the Company entered into an agreement with a Canadian research assistance agency whereby the Company will be reimbursed up to \$0.5 million for certain research and development activities in support of the Company's US EMR product.

NIGHTINGALE INFORMATIX CORPORATION

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

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

In \$ 000's (Except per Share Amounts)	Fiscal Year Ended March 31, 2007	Q3 Ended Dec 31, 2007	Q4 Ended March 31, 2008	Fiscal Year Ended March 31, 2008	Q1 Ended June 30, 2008	Q2 Ended Sept 30, 2008	Q3 Ended Dec 31, 2008	Q4 Ended March 31, 2009	Fiscal Year Ended March 31, 2009	Q1 Ended June 30, 2009	Q2 Ended Sept 30, 2009
Recurring Revenue	\$ 9,828	\$ 3,229	\$ 3,247	\$13,088	\$ 3,309	\$ 3,431	\$ 4,045	\$ 3,746	\$14,531	\$ 3,564	\$ 3,341
Non-Recurring Revenue	4,186	713	931	5,788	1,637	815	511	971	3,934	566	585
Revenue	14,014	3,942	4,178	18,876	4,946	4,246	4,556	4,717	18,465	4,130	3,926
Gross Profit	9,589	2,660	2,979	13,706	3,669	3,164	3,272	3,305	13,410	2,937	2,818
Expenses	14,856	5,220	4,739	19,957	4,561	4,275	4,022	3,962	16,820	3,508	3,327
EBITDA Income (Loss)	(3,841)	(1,799)	(1,188)	(3,526)	(236)	(458)	(34)	9	(719)	22	181
Operating Loss for the Period	(5,267)	(2,561)	(1,761)	(6,250)	(892)	(1,112)	(750)	(656)	(3,410)	(571)	(508)
Loss and Comprehensive Loss	(5,713)	(3,324)	(6,273)	(12,811)	(1,260)	(1,492)	(876)	(1,004)	(4,632)	(844)	(726)
Loss and Comprehensive Loss per Common Share	\$ (0.14)	\$ (0.05)	\$ (0.09)	\$ (0.19)	\$ (0.20)	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.07)	\$ (0.01)	\$ (0.01)
Weighted Avg. # of Common Shares	40,120	66,914	67,460	66,228	67,479	67,479	67,667	67,845	67,845	69,322	70,535
Total Assets	\$17,531	\$36,257	\$23,992	\$23,992	\$21,807	\$20,308	\$20,078	\$17,906	\$17,906	\$16,413	\$15,170
Total Long Term Liabilities	\$ 2,014	\$12,097	\$ 6,948	\$ 6,948	\$ 6,366	\$ 6,251	\$ 6,234	\$ 6,517	\$ 6,517	\$ 6,309	\$ 5,751

SECOND QUARTER AND YEAR-TO-DATE FISCAL 2010 RESULTS OF OPERATIONS COMPARED TO SECOND QUARTER AND YEAR-TO-DATE RESULTS OF FISCAL 2009

Revenue: For the three and six months ended September 30, 2009, revenue was \$3.9 million and \$8.1 million, respectively. This compares to \$4.2 million and \$9.2 million for the three and six months ended September 30, 2008, representing an 8% and 12% decrease over these respective periods. These decreases were due largely to decreases in Non-Recurring Revenues over the same periods last year. Revenues were also negatively affected during the periods by the delay of EMR buying decisions in anticipation of government funding announcements. The Ontario government announced a \$235 million subsidy program on October 29, 2009.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTH PERIODS ENDED SEPTEMBER 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 and six months ended September 30, 2009 was \$3.3 million and \$6.9 million. This compares to \$3.4 million and \$6.7 million for the same periods ended September 30, 2008, representing a 3% decrease and a 2% increase over these respective periods. The decrease in Recurring Revenue from the year ago quarter was largely the result of lower data management and transcription revenues, which were partially offset by the increase in the value of the US dollar relative to the Canadian dollar. The increase in Recurring Revenue from the six month period ended September 30, 2008 was primarily the result of an increase in billing and financial management revenues as a large customer was fully implemented and transactional fees, which were partially offset by lower data management and transcription revenues. The increase in the value of the US dollar relative to the Canadian dollar also had a positive impact on Recurring Revenue, versus the six month period ended September 30, 2008.

The decrease in lower margin transcription revenues is expected to continue into future periods at an increased rate as a large customer, subsequent to quarter end, has elected not to renew their contract that was scheduled to expire in December 2009. The Company is currently evaluating its transcription business.

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 and six months ended September 30, 2009 was \$0.6 million and \$1.2 million. This compares to \$0.8 million and \$2.5 million for the three and six months ended September 30, 2008, representing a 28% and a 53% decrease over these respective periods. The decrease in Non-Recurring Revenue over the three month periods is primarily the result of a decrease in custom development revenues. The decrease in Non-Recurring Revenue over the six month periods is primarily the result of a decrease in software revenue, as the Company recognized \$1 million of license revenue related to a Canadian government agency in the first quarter of last year.

Over the three months ended September 30, 2009, the Company generated 74% of its revenue from the US market. With the increase in the value of the US dollar relative to the Canadian dollar, during the three and six month periods (from 1.03 in the six months ended September 30, 2008 to 1.13 for the six months ended September 30, 2009), the Company estimates that revenue was positively impacted by approximately 4% or \$0.2 million for the three month period and 7%, or \$0.6 million, for the six month period, compared to the same periods of the previous year.

Gross Profit: For the three and six month periods ended September 30, 2009, gross profit was \$2.8 million, or 72% of revenue and \$5.8 million, or 71% revenue, compared to \$3.2 million, or 75% of revenue and \$6.8 million, or 74% for the prior year periods. The decrease in gross profit margins can be primarily associated with a decrease in higher margin Non-Recurring revenue over the respective periods.

Expenses: Expenses for the three and six month periods ended September 30, 2009, were \$3.3 million and \$6.8 million. This compares to \$4.3 million and \$8.8 million for the three and six month periods ended September 30, 2008, representing a 22% and 23% decrease over the respective periods. These decreases were partially offset by a higher US dollar relative to the Canadian dollar versus the same three and six month periods last year. This decrease in expense was the result of the Company's

NIGHTINGALE INFORMATIX CORPORATION

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

implementation of several cost reduction measures throughout 2009. Although the Company is focused on prudent expense management as it seeks to achieve profitability, the Company may continue to make select investments in support of revenue generating activities.

Over the three months ended September 2009, approximately 44% of the Company's expenses were incurred in the US, providing the Company with a natural hedge position that has offset some of the effects on revenue of the increase in value of the US dollar versus last year. The Company estimates that expenses were negatively impacted by approximately 2% or \$0.1 million for the three month period and 4%, or \$0.3 million, for the six month period, compared to the same periods in the previous year.

General and administration expenses for the three months ended September 30, 2009, were \$0.6 million, and \$1.4 million. This compares to \$0.8 million and \$1.7 million for the three and six months ended September 30, 2008, representing a \$0.2 million, or 27%, and \$0.3 million, or 18%, decrease over the respective periods. The decrease in general and administration is primarily due to a reduction in certain reserve balances as well as other costs. These expense decreases were partially offset by the impact of the increase in the value of the US Dollar.

Sales and marketing expenses for the three and six months ended September 30, 2009, was \$0.3 million and \$0.7 million. This compares to \$0.7 million and \$1.3 million for the three and six months ended September 30, 2008, representing a \$0.3 million, or 52%, and \$0.6 million, or 45%, decrease over the respective periods. These decreases in expenses were the result of the departure of a senior staff member during 2008 as well as decreases in costs associated with third party public relations activities and sales consulting services.

Research and development expenses for the three and six months ended September 30, 2009, were \$0.7 million and \$1.4 million. This compares to \$0.9 million and \$2 million for the three and six months ended September 30, 2008, representing a \$0.2 million, or 25%, and \$0.6 million, or 28%, decrease over the respective 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. The decrease in expense was also partially affected by the Company's participation in a Canadian research assistance program whereby the Company is being reimbursed for certain research and development activities in support of the Company's US EMR product. These reimbursements of costs incurred are classified as a reduction to the Company's operating expenses. The Company expects that the level of reimbursement in future periods will increase from that of the six months ended September 30, 2009 as the project began during the second quarter and was not yet fully implemented.

Client services expenses for the three and six month periods ended September 30, 2009, were \$1 million and \$2 million. This compares to \$1.2 million and \$2.5 million for the three and six month periods ended September 30, 2008, representing a decrease of \$0.2 million, or 16%, and \$0.5 million, or 20%, over the respective 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 and six months ended September 30, 2009, was \$ 0.1 million and \$0.2 million. This compares to \$0.02 million and \$0.07 million for three and six months ended September 30, 2008. The increase in stock-based compensation can be attributed largely to new options granted in the quarter.

NIGHTINGALE INFORMATIX CORPORATION

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

Depreciation and amortization for the three and six months ended September 30, 2009, was \$0.6 million and \$1.1 million. This compares to \$0.6 million and \$1.2 million for the three and six months ended September 30, 2008.

EBITDA (non-GAAP measure, see note 4.a for a definition): EBITDA for each of the three and six month periods ended September 30, 2009, was \$0.2 million. This compares to EBITDA losses of \$0.5 million and \$0.7 million for the three and six month periods ended September 30, 2008. The Company has been focused on achieving profitability and has implemented several cost reduction initiatives, particularly in the third quarter of last year. This improvement in EBITDA is a reflection of these initiatives as well as the strengthening of the US dollar compared to the same periods last year.

Operating Loss: For three and six months ended September 30, 2009, operating loss was \$0.5 million and \$1.1 million. This compares to an operating loss of \$1.1 million and \$2 million for the three and six months ended September 30, 2008. The improvement in operating loss can be primarily attributed to an improvement in EBITDA.

Interest and Other Income/ Loss: Interest charges for the three and six months ended September 30, 2009 was \$0.3 million and \$0.6 million. This compares to \$0.4 million and \$0.7 million for the three and six months ended September 30, 2008. This decrease over the respective periods last 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 and six months ended September 30, 2009, other income was \$0.03 million and \$0.08 million. This compares to other loss of \$0.02 million and \$0.03 million for the three and six months ended September 30, 2008.

Loss and Comprehensive Loss: For the three and six month periods ended September 30, 2009, loss and comprehensive loss was \$0.7 million and \$1.6 million. This compares to loss and comprehensive loss of \$1.5 million and \$2.8 million for the three and six month periods ended September 30, 2008. The improvement in loss and comprehensive loss in the respective periods can be primarily attributed to cost reductions initiatives as well as the strengthening of the US dollar compared to the same respective periods last 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 Non-Recurring Revenues.

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

Revenue: For the three months ended September 30, 2009, revenue was \$3.9 million. This compares to \$4.1 million for the previous three months ended June 30, 2009, representing a decrease over these respective periods. This decrease was due primarily to a decrease in the value of the US Dollar during the consecutive quarters. Revenues were also negatively affected by the delay of EMR buying decisions in anticipation of government funding announcements. The Ontario government announced a \$235 million subsidy program on October 29, 2009.

Recurring Revenue for the three months ended September 30, 2009 was \$3.3 million compared to \$3.6 million for the three months ended June 30, 2009, representing a 5% decrease during the consecutive

NIGHTINGALE INFORMATIX CORPORATION

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

periods. The decrease in Recurring Revenue from the previous quarter is primarily the result of the decrease in the value of the US Dollar.

Non-Recurring Revenue for both the three months ended September 30, 2009 and June 30, 2009 was \$0.6 million.

Over the three months ended September 30, 2009, the Company generated 74% of its revenue from the US market. With the recent decrease in the value of the US dollar relative to the Canadian dollar (from 1.17 in the quarter ended June 30, 2008 to 1.10 for the quarter ended September 30, 2009), the Company estimates that revenue was negatively impacted by approximately 5%, or \$0.2 million, during the current three months compared to the three months of the previous quarter.

Gross Profit: For the three months ended September 30, 2009, gross profit was \$2.8 million, or 72% of revenue, compared to \$2.9 million, or 71% for the previous quarter of this year.

Expenses: Expenses for the three months ended September 30, 2009, were \$3.3 million compared to \$3.5 million for the previous three months ended June 30, 2009, representing a 5% decrease over these periods. The decrease in expense was primarily the result of lower general and administrative expenses, sales and marketing related expenses and a weakening of the US dollar relative to the Canadian dollar.

Nightingale's expenses are affected by changes in the US dollar exchange rate, with approximately 44% of the Company's expenses during the three months ended September 30, 2009 generated in the US, providing the Company with a natural hedge position that has offset some of the effects on revenue of the recent decrease in the value of the US dollar. The Company estimates that expenses were positively impacted by approximately 3% or \$0.1 million over the three months versus the three months of the previous quarter.

General and administration expenses for the three months ended September 30, 2009 were \$0.6 million. This compares to \$0.8 million for the previous three months ended June 30, 2009, representing a \$0.2 million, or 21%, decrease over the previous quarter. The decrease in general and administration expenses was primarily related to a decrease in certain reserve balances as well as the decrease in the value of the US Dollar.

Sales and marketing expenses for the three months ended September 30, 2009, were \$0.3 million compared to \$0.4 million for the previous quarter, representing a 26% decrease over the periods. This decrease in expenses was primarily associated with the timing of certain trade show costs.

Research and development expenses for both of the three months ended September 30, 2009 and June 30, 2009, were \$0.7 million. The 5% decrease in research and development can be primarily attributed to the weakening of the US dollar relative to the Canadian dollar as well as the Company's participation in a Canadian research assistance program whereby the Company is being reimbursed for certain research and development activities in support of the Company's US EMR product. The Company expects that the level of reimbursement in future periods will increase from that of the quarter ended September 30, 2009 as the project began during the quarter and was not yet fully implemented. These decreases in expense were partially offset with an increase in cost associated with IT staffing.

NIGHTINGALE INFORMATIX CORPORATION

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

Client services expenses for both of the three months ended September 30, 2009 and June 30, 2009 were \$1 million. This 3% increase is primarily attributable to increased salary costs related to staffing in the client services department.

Stock-based compensation for the three months ended September 30, 2009, was \$0.1 million compared to \$0.03 million for the previous quarter. The increase in stock-based compensation can be attributed to new options granted in the quarter.

Depreciation and amortization for both the three months ended September 30, 2009 and June 30, 2009, was \$0.6 million.

EBITDA: EBITDA for the three months ended September 30, 2009, was a positive \$0.2 million compared to a positive \$0.02 million for the previous quarter

Operating Loss: For the three months ended September 30, 2009, operating loss was \$0.5 million compared to an operating loss of \$0.6 million for the previous quarter. The improvement in operating loss can be primarily attributed to an improvement in EBITDA, which has been partially offset by an increase in stock based compensation.

Interest and Other Income/ Loss: Interest charges for both the three months ended September 30, 2009 and June 30, 2009 were \$0.3 million..

Included in other income/loss are foreign currency adjustments related to monetary translations. For the three months ended September 30, 2009, other income was \$0.03 million compared to other income of \$0.04 million for the previous three months ended June 30, 2009.

Loss and Comprehensive Loss: For the three months ended September 30, 2009, loss and comprehensive loss was \$0.7 million compared to loss and comprehensive loss of \$0.8 million for the previous quarter. The improvement in loss and comprehensive loss in the respective periods can be primarily attributed to lower general and administrative and sales and marketing costs incurred within the quarter. This has been partially offset by decreases in billing and financial management revenues, an increase in stock based compensation expenses and a weakening of the US dollar relative to the Canadian dollar.

3. LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents on September 30, 2009 were \$2.4 million.

Cash from Operating Activities: Cash provided by operating activities in the three months ended September 30, 2009 was \$0.02 million, compared to cash used in operating activities of \$1 million for the three months ended September 30, 2008. The most significant adjustments to net income to cash used in operations included an increase in accounts receivable of \$0.4 million, a decrease in accounts payable of \$0.2 million and a decrease in deferred revenue of \$0.2 million. Cash used in operating activities in the six months ended September 30, 2009 was \$0.9 million, compared to cash used in operating activities was \$1.5 million for the six months ended September 30, 2008. The most significant adjustments to net income to cash used in operations included an increase in accounts receivable of \$0.3 million, a decrease in accounts payable of \$0.8 million and a decrease in deferred revenue of \$0.2 million.

NIGHTINGALE INFORMATIX CORPORATION

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

Cash from Investing Activities: During the three months ended September 30, 2009, cash used in investing activities for purchases of property and equipment, totalled \$0.01 million compared to purchases of property and equipment totalling \$0.04 million during the three month period last year. During the six months ended September 30, 2009, cash used to purchase property and equipment totalled \$0.03 million compared to \$0.1 million during the six month period last year.

Cash from Financing Activities: Cash used in financing activities for the three months ended September 30, 2009 totalled \$0.06 million, representing repayment of capital lease obligations. This compares to cash from financing activities of \$0.2 million, related primarily to the repayment of subordinated debt of \$0.5 million and borrowings under a line of credit of \$0.8 million during the quarter ended September 30, 2008. Cash used in financing activities for the six months ended September 30, 2009 totalled \$0.1 million, representing repayment of capital lease obligations. This compares to cash flow from financing activities of \$0.1 million, related primarily to repayment of subordinated debt financing of \$0.5 million and borrowings under a line of credit of \$0.8 million during the six months ended September 30, 2008

At September 30, 2009, the Company had \$2.4 million of cash and cash equivalents, negative working capital of \$2.7 million (including current deferred revenue of \$3.8 million) and used \$0.9 million of cash in its operations for the six months ended September 30, 2009. The Company is also required to adhere to certain financial covenants in connection with its subordinated debt agreements. 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. 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.

In the quarter ended September 2008, the Company experienced a breach of a financial covenant under the loan agreement with Wellington Financial LP and Export Development Canada, a Limited Partner in Wellington Financial Fund III (the "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 in order to cancel the 7,994,186 warrants held by such Lenders and settle \$230,000 of other liabilities owed to the Lenders. The issuance of shares and cancelation of warrants was approved by the TSX Venture Exchange (the "TSXV"). 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 become due and payable. Certain terms and covenants were also amended in July 2009 and the Company issued 4,233,870 warrants to the Lenders each warrant being exercisable for one common share of the Company at a strike price of \$0.31 per share and with an expiration date of July 29, 2012. The issuance of the warrants to the Lenders was approved by the TSXV in August 2009.

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. It is expected that the Company's utilization model, which does not generally require a large upfront payment, will be favoured in future periods and to the extent that this is true, the Company may experience a decrease in up-front cash from new sales. The Company may seek to raise additional funds

NIGHTINGALE INFORMATIX CORPORATION

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

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 although the Company is currently analyzing the impact of the changes to its transcription business, including the non-renewal of a large customer, the Company 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 a 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 AND SIX MONTH PERIODS ENDED SEPTEMBER 30, 2009

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

Definition	Fiscal Quarter Ended September 30, 2009	Fiscal Quarter Ended September 30, 2008	Six Months Ended September 30, 2009	Six Months Ended September 30, 2008
Loss and Comprehensive Loss	\$ (726)	\$ (1,492)	\$ (1,570)	\$ (2,752)
<i>Adjustments for:</i>				
Other Loss (Income)	(35)	16	(78)	28
Interest	253	364	570	720
Depreciation and Amortization	553	633	1,121	1,245
Stock-based Compensation	136	21	161	65
EBITDA	\$ 181	\$ (458)	\$ 204	\$ (694)

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 September 30, 2009	Fiscal Quarter Ended September 30, 2008	Six Months Ended September 30, 2009	Six Months Ended September 30, 2008
Non-Recurring Revenue	\$ 585	\$ 815	\$ 1,152	\$ 2,453
Recurring Revenue	3,341	3,431	6,904	6,739
Revenue	\$ 3,926	\$ 4,246	\$ 8,056	\$ 9,192

NIGHTINGALE INFORMATIX CORPORATION

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

5. TRANSACTIONS WITH RELATED PARTIES

At September 30, 2009 the Company had a deferred compensation balance of \$129,803 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 September 30, 2009.

6. RECENT EVENTS

Subordinated Debt Warrants

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 become due and payable. Certain terms and covenants were also amended in July 2009 and the Company issued 4,233,870 warrants to the Lenders, each warrant being exercisable for one common share at a strike price of \$0.31 per share and with an expiration date of July 29, 2012. The issuance of the warrants to the Lenders was approved by the TSXV in August 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.

In January 2009, the CICA issued Section 1582, "Business Combinations", replacing Section 1581, "Business Combinations". This section establishes the standards for the accounting of business combinations and states that all assets and liabilities of an acquired business will be recorded at fair value at the date of acquisition. The standard also states that the acquisition-related costs will be expensed as incurred and that the restructuring charges will be expensed in the periods after the acquisition date. This new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company is currently assessing the future impact of this new standard on its consolidated financial statements.

In January 2009, the CICA issued Section 1601, "Consolidated Financial Statements", which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company is currently assessing the future impact of this new standard on its consolidated financial statements.

In June 2009, the CICA amended Section 3862, "Financial Instruments - Disclosures", to include

NIGHTINGALE INFORMATIX CORPORATION

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

additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The Company is assessing the impact of these amendments on its consolidated financial statements.

(ii) International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards (IFRS) will replace Canadian GAAP for publicly accountable profit-oriented enterprises for years beginning on or after January 1, 2011. The Company will be required to prepare its financial statements using IFRS for the fiscal year beginning April 1, 2011. The Company has begun the process of evaluating the impact of the change to IFRS on the Company's financial statements. During 2009, the Company completed a diagnostic evaluation of all financial statement elements that would be affected by the implementation of IFRS. The elements that will be affected the most by the implementation of IFRS are revenue recognition, foreign currency, income taxes and stock-based compensation. Although the Company has not quantified that impact as of September 30, 2009, the Company has a process in place to further refine the analysis to focus on quantifying the impact.

The impact of the implementation of IFRS on the Company's information systems, internal controls over financial reporting, disclosure controls and procedures or business activities such as capital requirements or compensation arrangements has not been determined at this time.

The Company plans to complete the assessment of the impact of IFRS on the above-noted items and implement such changes as may be required to ensure that IFRS reporting is fully implemented in the Company's operations by the end of the fiscal year ending March 31, 2010.

8. RISKS AND UNCERTAINTIES

Readers are encouraged to read the section entitled "Risks and Uncertainties" in the Company's Management's Discussion and Analysis for the Year Ended March 31, 2009 for a discussion of the factors that could affect the Company's future performance.

9. DISCLOSURE OF OUTSTANDING SHARE DATA

	Authorized	Issued as at September 30, 2009
Common Shares, Voting	Unlimited	70,534,543 ⁽¹⁾
Preferred Shares	Unlimited	-
Stock Options – Issued and Outstanding		5,008,535
Warrants – Issued and Outstanding		4,233,870 ⁽²⁾

⁽¹⁾ Includes 1,666,667 common shares issued upon the purchase of HealtheNet that are subject to a performance escrow period ending in fiscal 2010. In addition, 94,008 restricted shares to an officer of VantageMed remain issued and outstanding and were excluded from the above balance due to their unvested status. Including the 1,666,667 common shares issuable on the HealtheNet acquisition and the

NIGHTINGALE INFORMATIX CORPORATION

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

remaining restricted shares of 94,008, the total common shares outstanding at September 30, 2009 were 72,295,218.

⁽²⁾ In July 2009, the Company extended the term of its debt facility with the Lenders through July 2012 and in connection with this amendment, issued 4,233,870 warrants to the Lenders with a strike price of \$0.31 per share and with an expiration date of July 29, 2012. The issuance of the warrants to the Lenders received TSXV approval in August 2009.

10. OUTLOOK

See "Cautionary Note Regarding Forward-Looking Statements"

Last year, the Company focused primarily on integration efforts and implementation of cost reduction initiatives and has largely achieved its objective of improved profitability by reducing its fiscal losses. Nightingale entered fiscal 2010 focused on continued modest improvements to its financial performance, striving to achieve consistently positive cash flow and positive EBITDA. The Company is focused on three key organic revenue 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 could be a major catalyst for the adoption of EMR in the US.
2. The Ontario government published their eHealth strategy announcing new funding for health care technology in the province. Nightingale expects this will be a catalyst for Nightingale's business in Ontario, Canada.

Organic revenue growth is a critical objective for the Company in fiscal 2010. The Company is monitoring its operating expenses and cash flows closely as it strives to reach consistent and meaningful positive cash flow and profitability. The Company is also in process of analyzing its transcription business, including the non-renewal of a large transcription contract. 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 healthcare practitioners and patient records, positions the Company for continued success.

11. ADDITIONAL INFORMATION

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