



NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") For the three and six month interim periods ended September 30, 2010

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 18, 2010, should be read in conjunction with the Company's March 31, 2010 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, 2010.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

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, 2010.

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 vast US market; the existence of present and possible future government regulation; access to debt or 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 need to raise additional funding. 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, current and future trends in healthcare spending and Nightingale's continued ability to fund its business, rates of customer defaults, and relationships with, and payments to, lenders. 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 AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

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 4 under Non-GAAP Measures for more information).

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

1. OVERVIEW

Business Description

Established in 2002, Nightingale (TSX-V: NGH) is a recognized industry leader in Web-based clinician and community-based Electronic Medical Records (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 signing key contracts with hospitals, regional groups and provincial governments. Through a series of strategic acquisitions in 2006 and 2007, the Company positioned itself as an emerging player in the US healthcare industry and in recent years has implemented its hosted web-based US EMR product and related services at a number of its US clinics. With its North American footprint, suite of complementary healthcare software solutions and associated services, Nightingale believes that it is well positioned to capture the increasing opportunities within the Canadian and US healthcare markets. 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 at areas covered by provincial funding initiatives, such as Ontario, where Nightingale is one of only three vendors offering a funding approved web-based EMR solution, and Saskatchewan and Nova Scotia. Given the Company's sizeable Canadian customer base, Nightingale's regionally focused direct sales force works to leverage the Company's track record in the enterprise and small business markets to further increase Nightingale's market share. The Company uses mass marketing, public relations and its position as a thought leader in the EMR industry to build brand equity and market awareness.

In the US, the Company is completing its EMR product development to meet the new certification and meaningful use criteria that were finalized in June 2010. The Company expects to apply for certification of its US product under the new criteria in the Spring of 2011. The Company is also working to increase its penetration of the US EMR market and is focused on its selling and distribution plans for the US market.

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

Nightingale offers an extensive suite of healthcare service and software solutions to meet the varying needs of healthcare practitioners. The Company's customer base is comprised of North American hospitals, clinics and physicians using various combinations of its licence or web-based EMR, Practice Management and Revenue Cycle Management products. Nightingale is working to leverage its ability to serve as an end-to-end solution provider to further penetrate its existing customer base and grow its recurring revenue base over the long term.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

3. Establish new revenue streams

Nightingale is working to extend the reach of its healthcare technology solutions, in particular with offerings designed to meet the needs of patients. In fiscal 2010, the Company established an exclusive license and distribution relationship with Canadian Patient Access to launch an online patient portal to the Canadian market. The portal provides patients with online access to their physician and clinic administrators to schedule appointments; access medical files and laboratory results; request prescription refills and eConsults; and receive medication and appointment reminders. Nightingale is committed to continuing to evolve its healthcare technology platform, priding itself on the technology leadership of its current product suite.

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 often charges 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 and a transaction based fee which combines the software license, hosting and support and maintenance fees into a single monthly fee. The Company believes that the utilization model could become more prevalent as it is an attractive alternative for customers participating in government funding programs or for customers that are interested in limiting their upfront cash investment. Implementation and training services are offered under both 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.

Second Quarter and Year to Date 2011 Highlights

- Revenues for the quarter ended September 30, 2010 were \$4.2 million compared to \$3.9 million for the year ago quarter. Revenues were \$8.6 million for the six months ended September 30, 2010 compared to \$8.1 million for the six months ended September 30, 2009. The revenue growth is primarily attributed to an increase in software revenues of \$0.6 million and \$1.6 million, respectively, which was partially offset by a decrease in transcription revenue of \$0.4 million and \$0.9 million, respectively and negative foreign exchange impact of approximately \$0.1 million and \$0.4 million for the quarter and six months ended September 30, 2010.
- Gross profit margin for the quarter ended September 30, 2010 reached 79%, up from 72% in the year ago quarter, as a result of the Company's increased focus on generating high-margin software revenue. Gross profit margin was a record high at 80% for the six months ended September 30, 2010 compared to 71% for the six months ended September 30, 2009.
- EBITDA for the quarter ended September 30, 2010 was \$0.4 million, compared to \$0.2 million for the quarter ended September 30, 2009. EBITDA was \$1.0 million for the six months ended September 30, 2010, compared to \$0.2 million for the six months ended September 30, 2009.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

- Net loss for the quarter ended September 30, 2010 was \$0.5 million compared to \$0.7 million for the quarter ended September 30, 2009. Net loss was \$0.5 million for the six months ended September 30, 2010 compared to \$1.6 million for the six months ended September 30, 2009.
- Cash from operations increased to \$0.3 million from \$0.02 million in the quarter ended September 30, 2009, driven by an improvement in the Company's bottom line results as well as the timing of collection of cash on deferred revenue.
- Completed a comprehensive debt refinancing, which resulted in reduced interest expense starting in the second quarter compared to previous periods, and increased overall financial flexibility.

Second Quarter 2011 Operational Highlights

- The Company signed agreements with healthcare providers across Canada to deploy over 200 EMR seats, including a five-year EMR and practice management agreement with the AIM Health Group, representing 150 seats. This brings the Company's total EMR seats signed to more than 400 year-to-date.
- Announced plans to launch, in partnership with Canadian Patient Access Inc., Company's secure patient portal, mypatientaccess.ca, with a Canadian clinic, making the web-based interactive patient portal available to parents of more than 10,000 pediatric patients.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

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

In \$ 000's (Except per Share Amounts)	Fiscal Year Ended March 31, 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	Q3 Ended Dec 31, 2009	Q4 Ended March 31, 2010	Fiscal Year Ended March 31, 2010	Q1 Ended June 30, 2010	Q2 Ended Sept 30, 2010
Recurring Revenue	\$13,088	\$ 4,045	\$ 3,746	\$14,531	\$ 3,564	\$ 3,341	\$ 3,342	\$ 2,849	\$ 13,096	\$2,843	\$2,723
Non-Recurring Revenue	5,788	511	971	3,934	566	585	1,010	1,324	3,485	1,559	1,491
Revenue	18,876	4,556	4,717	18,465	4,130	3,926	4,352	4,173	16,581	4,401	4,214
Gross Profit	13,706	3,272	3,305	13,410	2,937	2,818	3,314	3,169	12,238	3,533	3,327
Expenses	19,957	4,022	3,962	16,820	3,508	3,327	3,384	3,474	13,693	3,360	3,578
EBITDA Income (Loss)	(3,526)	(34)	9	(719)	24	180	593	406	1,203	616	386
Operating Gain / (Loss) for the Period	(6,250)	(750)	(656)	(3,410)	(570)	(509)	(70)	(306)	(1,455)	173	(251)
Loss and Comprehensive Loss	(12,811)	(876)	(1,004)	(4,632)	(843)	(727)	(350)	(1,524)	(3,444)	(9)	(468)
Loss and Comprehensive Loss per Common Share	\$(0.19)	\$ (0.01)	\$ (0.01)	\$ (0.07)	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.05)	\$(0.00)	\$(0.01)
Weighted Average Shares outstanding	66,228	67,667	67,845	67,845	69,322	70,535	70,535	70,535	70,232	72,809	76,311
Total Assets	\$23,992	\$ 20,078	\$ 17,906	\$17,906	\$16,413	\$15,170	\$14,714	\$ 14,651	\$ 14,651	\$16,867	\$15,718
Total Long Term Liabilities	\$ 6,948	\$ 6,234	\$ 6,517	\$ 6,517	\$ 6,309	\$ 5,751	\$ 6,285	\$ 7,212	\$ 7,212	\$7,229	\$5,185

SECOND QUARTER AND YEAR-TO-DATE FISCAL 2011 RESULTS OF OPERATIONS COMPARED TO SECOND QUARTER AND YEAR-TO-DATE RESULTS OF FISCAL 2010

Revenue: For the three and six months ended September 30, 2010, revenue was \$4.2 million and \$8.6 million, respectively. This compares to \$3.9 million and \$8.1 million for the three and six months ended September 30, 2009, representing a 7% increase over these respective periods. This increase was due

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

primarily to a \$0.6 million and \$1.6 million increase in revenues from software which was partially offset by a \$0.4 million and \$0.9 million decrease in revenues from lower-margin transcription revenue as well as a negative foreign exchange impact of \$0.1 million and \$0.4 million for the quarter and six months ended September 30, 2010, which predominantly affects the Company's recurring revenue results.

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

Recurring Revenue for the three and six months ended September 30, 2010 was \$2.7 million and \$5.6 million, respectively. This compares to \$3.3 million and \$6.9 million for the same periods ended September 30, 2009, representing an 18% decrease and a 19% decrease over these respective periods. The decrease in Recurring Revenue is primarily the result of a reduction in transcription revenue as well as the negative impact due to foreign exchange. Transcription revenue decreased to \$0.08 million for the three months ended September 30, 2010 from \$0.5 million in the year ago quarter. The Company believes that revenues from higher margin software will offset the loss of transcription revenue over the longer term.

Recurring revenue generated by Nightingale's core business (which excludes the Company's transcription revenues and the impact of foreign exchange) was \$2.8 million for the three months ended September 30, 2010, down slightly from \$2.8 million in the year ago quarter.

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, 2010 was \$1.5 million and \$3.0 million, respectively. This compares to \$0.6 million and \$1.2 million for the same periods ended September 30, 2009, representing a 155% increase and a 165% increase over these respective periods. The improvement in Non-Recurring Revenue is primarily due to increases in license and professional services revenues associated with sales of the Company's Nightingale on Demand EMR product.

Over the three months ended September 30, 2010, the Company generated 52% of its revenue from the US market. With the decrease in the value of the US dollar relative to the Canadian dollar, during the three and six month periods (from an average rate of 1.13 in the six months ended September 30, 2009 to an average rate of 1.03 for the six months ended September 30, 2010), the Company estimates that revenue was negatively impacted by approximately 3% or \$0.1 million for the three month period and 5%, or \$0.5 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, 2010, gross profit was \$3.3 million, or 79% of revenue and \$6.9 million, or 80% revenue, compared to \$2.8 million, or 72% of revenue and \$5.8 million, or 71% for the prior year periods. This improvement reflects a greater proportion of higher margin sales over the respective periods.

Expenses: Expenses for the three and six month periods ended September 30, 2010, were \$3.6 million and \$6.9 million, respectively. This compares to \$3.3 million and \$6.8 million for the three and six month periods ended September 30, 2009, representing an 8% and 2% increase over the respective periods. This increase in expenses is primarily the result of increase in expenses where the Company has made focused investments in sales and marketing activities to further its long term growth initiatives. These

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

increases were partially offset by a decrease in amortization expense associated with intangible assets as well as a decrease in spending on the transcription business. The decrease in the value of the Canadian dollar compared to the US dollar also contributed to the decline in expenses.

Over the three months ended September 2010, approximately 37% 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 from the decrease in value of the US dollar versus last year. The Company estimates that expenses were positively impacted by approximately 2% or \$0.1 million for the three month period and 3%, or \$0.2 million, for the six month period ended September 30, 2010, compared to the same periods in the previous year.

Going forward, Nightingale is focused on prudent expense management. However, the Company expects to continue to make select investments to support long-term revenue generating activities, particularly as the Company is seeing an increase in buying activity in the North American EMR market.

General and administration expenses for the three and six months ended September 30, 2010, were \$0.7 million, and \$1.5 million, respectively. This compares to \$0.6 million and \$1.4 million for the three and six months ended September 30, 2009, respectively, representing a \$0.1 million, or 17%, and \$0.1 million, or 8%, increase over the respective periods. The increase was primarily associated with the timing of reduction of certain reserve balances in the year ago periods.

Sales and marketing expenses for the three and six months ended September 30, 2010, was \$0.5 million and \$1.2 million, respectively. This compares to \$0.3 million and \$0.7 million for the three and six months ended September 30, 2009, respectively, representing a \$0.2 million, or 75%, and \$0.4 million, or 60%, increase over the respective periods. This increase in expenses was the result of investments in sales and marketing activities primarily focused on the EMR market in Ontario.

Research and development expenses for the three and six months ended September 30, 2010, was \$0.8 million and \$1.4 million, respectively. This compares to \$0.7 million and \$1.4 million for the three and six months ended September 30, 2009, respectively, representing a \$0.06 million, or 9%, and \$6,000, or 0.4%, increase over the respective periods. The increase in research and development can be primarily attributed to the Company's increased investments in developing its US product, patient portal and other initiatives as well as a reduction in reimbursements for certain research and development activities pursuant to the Company's participation in a Canadian research assistance program. These increases in expense were partially offset by a reduction in expenses associated with the Company's capitalization of certain qualifying development costs. The reimbursement of costs incurred pursuant to the research assistance program are classified as a reduction to both the Company's operating expenses and capitalized software costs. This current assistance program ended early in fiscal 2011 and there can be no assurances that the Company will be successful in obtaining further funding. Gross research and development costs before capitalization of development costs and reimbursements pursuant to government programs, research and development expenses increased by \$0.1 million in the three months ended September 30, 2010, or 9% compared to the year ago quarter and \$6,000 or 0% for the six months ended September 30, as the Company increased its investment in certain research and development initiatives. The table below demonstrates the impact of certain items on research and development expense in the periods presented.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

The table below demonstrates the impact of certain items on research and development expense in the periods presented.

	Fiscal Quarter Ended September 30, 2010	Fiscal Quarter Ended September 30, 2009	Six Months Ended September 30, 2010	Six Months Ended September 30, 2009
Research and development expense before certain credits	\$ 956,973	\$ 731,192	\$ 2,009,723	\$ 1,463,340
Reimbursement pursuant to government programs	-	(35,866)	(122,500)	(35,866)
Capitalized development costs	(201,490)	-	(453,876)	-
Total Research and Development expense	\$ 755,083	\$ 695,326	\$ 1,433,347	\$ 1,427,474

Client services expenses for the three and six month periods ended September 30, 2010, were \$0.9 million and \$1.8 million, respectively. This compares to \$1 million and \$2 million for the three and six month periods ended September 30, 2009, respectively, representing a decrease of \$0.1 million, or 9%, and \$0.3 million, or 12%, over the respective periods. This decrease was primarily attributable to the Company's reduction of costs associated with its transcription business as well as a reallocation of certain resources from client services activities to development initiatives. The decrease in the value of the Canadian dollar compared to the US dollar also contributed to the decrease in client services expenses.

Stock-based compensation for the three and six months ended September 30, 2010, was \$ 0.2 million and \$0.2 million, respectively. This compares to \$0.1 million and \$0.2 million for three and six months ended September 30, 2009, respectively. The increase in stock-based compensation can be attributed largely to new options granted in the quarter.

Depreciation and amortization for the three and six months ended September 30, 2010, was \$0.4 million and \$0.8 million, respectively. This compares to \$0.6 million and \$1.1 million for the three and six months ended September 30, 2009, respectively.

EBITDA (non-GAAP measure, see section 4.a for a definition): EBITDA for the three and six months ended September 30, 2010, was \$0.4 million and \$1 million, respectively. This compares to EBITDA of \$0.2 million for each of the three and six month periods ended September 30, 2009. The Company has been focused on achieving profitability and implemented several cost reduction initiatives since fiscal 2010 in an effort to achieve this goal. The Company also continues to focus on higher margin longer term revenue opportunities.

Operating Profit / Loss: For three and six months ended September 30, 2010, operating loss was \$0.3 million and \$0.1 million, respectively. This compares to an operating loss of \$0.5 million and \$1.1 million for the three and six months ended September 30, 2009, respectively. The improvement in operating loss can be primarily attributed to an improvement in EBITDA.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

Interest and Other Income / Loss: Interest charges for the three and six months ended September 30, 2010 was \$0.3 million and \$0.4 million, respectively, including a one-time bonus payment to the debenture holders equal to \$0.07 million. This compares to \$0.3 million and \$0.6 million for the three and six months ended September 30, 2009, respectively. In July 2010, Nightingale completed a comprehensive debt refinancing and given the more favourable terms of the new debt facilities, the Company expects to realize a decrease in its interest expense starting in the current quarter.

Included in other income/loss are foreign currency adjustments related to monetary translations. For the three and six months ended September 30, 2010, other income was \$4,000 and \$0.02 million, respectively. This compares to other income of \$0.04 million and \$0.08 million for the three and six months ended September 30, 2009, respectively.

Loss and Comprehensive Loss: For the three and six month periods ended September 30, 2010, loss and comprehensive loss for each of the periods was \$0.5 million. This compares to loss and comprehensive loss of \$0.7 million and \$1.6 million for the three and six month periods ended September 30, 2009, respectively. The improvement in loss and comprehensive loss can be primarily attributed to an increase in high margin software revenue, which resulted in stronger gross margins in the quarter, as well as a decrease in amortization expense as certain assets become fully amortized. These improvements were partially offset by an increase in expense as the Company increased its investments in certain sales and marketing activities aimed at increasing its market share in Ontario.

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.

SECOND QUARTER FISCAL 2011 RESULTS OF OPERATIONS COMPARED TO FIRST QUARTER FISCAL 2011

Revenue: For the three months ended September 30, 2010, revenue was \$4.2 million compared to \$4.4 million for the three months ended June 30, 2010, representing a 4% decrease. This decrease in revenue was due primarily to a decrease in billing and financial management services revenues.

Recurring Revenue for the three months ended September 30, 2010 was 2.7 million compared to \$2.8 million for the three months ended June 30, 2010, representing a 4% decrease. This decrease in revenue was due primarily to decreases in billing and financial management services revenues and software revenues which were partially offset by an increase in revenues from training and implementation services.

Non-Recurring Revenue for the three months ended September 30, 2010 was \$1.5 million compared to \$1.6 million for the three months ended June 30, 2010, representing a \$0.1 million, or 4%, decrease. The decrease in Non-Recurring Revenue is primarily due to a decrease in software revenue partially offset by increases in the professional services revenues.

During the three months ended September 30, 2010, the Company generated 52% 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 1%, or \$0.02 million, during the current three months compared to the previous quarter.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

Gross Profit: For the three months ended September 30, 2010, gross profit was \$3.3 million, or 79% of revenue (gross profit margin), compared to \$3.5 million, with gross profit margin of 80% for the previous quarter.

Expenses: Expenses for the three months ended September 30, 2010, were \$3.6 million compared to \$3.4 million for the three months ended June 30, 2010, representing a 6% increase. This increase in expense was the result of the increase in the stock compensation expense due to options granted in the quarter which were fully vested as well as an increase in client services salary expenses, an increase in the research and development expenses due to lower capitalization of development expenses during the quarter and a slight increase in the foreign exchange rate during the consecutive quarters impacting the US dollar based expenses. These increases were partially offset by certain decreases in the sales and marketing expenses as well as decreases in the general and administration expenses during the consecutive quarters.

Nightingale's expenses are affected by changes in the US dollar exchange rate, with approximately 37% of the Company's expenses during the three months ended September 30, 2010 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 0% or \$0.01 million over the three months versus the previous quarter.

General and administration expenses for the three months ended September 30, 2010, were \$0.7 million compared to \$0.6 million for the three months ended June 30, 2010, representing a 9% decrease. The decrease was associated with a decrease in professional services fees as well as other costs.

Sales and marketing expenses for the three months ended September 30, 2010, were \$0.5 million compared to \$0.6 million for the three months ended June 30, 2010, representing a 13% decrease. This decrease was primarily due to the conclusion of certain promotional programs as well as the timing of other costs. Consistent with the trend in the year over year results, the Company plans to continue to invest in sales and marketing activities as it strives to increase the number of practitioners using its software.

Research and development expenses for the three months ended September 30, 2010, were \$0.8 million. This compares to \$0.7 million for the three months ended June 30, 2010, representing an 11% increase from the previous quarter. The increase is primarily associated with a decrease in the contribution received through the research assistance program whereby the Company was reimbursed for certain research and development activities in support of the Company's EMR product. The Company capitalized \$0.2 million of development costs during the quarter ended September 30, 2010 and \$0.25 million of development costs, net of government assistance of \$0.09 million in the quarter ended June 30, 2010. Gross research and development costs before capitalization of development costs and reimbursements pursuant to the government programs decreased by \$0.1 million or 9% primarily due to a decrease in expenses for consulting and certain systems and infrastructure costs.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

The table below demonstrates the impact of certain items on research and development expense in the periods presented.

	Quarter Ended September 30, 2010	Quarter Ended June 30, 2010
Research and development expense before certain credits	\$ 956,973	\$ 1,053,150
Reimbursement pursuant to government programs	-	(122,500)
Capitalized development costs	(201,490)	(252,386)
Total Research and Development expense	<u>\$ 755,083</u>	<u>\$ 678,264</u>

Client services expenses for the three months ended September 30, 2010 was \$0.9 million. This compares to \$0.8 million for the three months ended June 30, 2010. This \$0.1 million, or 12%, increase is primarily associated with the increase in the foreign exchange rate during the consecutive quarters and the impact on the US dollar based expenses as well as an increase in the effort associated with custom development activities.

Stock-based compensation for the three months ended September 30, 2010, was \$0.2 million. This compares to expense of \$0.02 million for the three months ended June 30, 2010. The increase is due to options granted during the quarter which were fully vested.

Amortization for the three months ended September 30, 2010 and June 30, 2010 was flat at \$0.4 million.

EBITDA (non-GAAP measure, see item 4.a for a definition): EBITDA for the three months ended September 30, 2010, was \$0.4 million compared to EBITDA of \$0.6 million for the three months ended June 30, 2010.

Operating Profit / Loss: For three months ended September 30, 2010, operating loss was \$0.3 million compared to operating profit was \$0.2 million for the three months ended June 30, 2010.

Interest and Other Income / Loss: Interest charges for the three months ended September 30, 2010 and June 30, 2010 was flat at \$0.2 million. In April 2010, the Company completed a private placement of common shares and subscription receipts, as well as revolving and term debt financings. In July 2010, the Company used the proceeds to repay the Company's subordinated debt.

Included in other income/loss are foreign currency adjustments related to monetary translations. For the three months ended September 30, 2010, other income was \$4,000 compared to other income of \$11,000 for the three months ended June 30, 2010.

Loss and Comprehensive Loss: For the three months ended September 30, 2010, loss and comprehensive loss was \$0.5 million compared to a loss and comprehensive loss of \$9,000 for the three months ended June 30, 2010. The significant increase in the loss and comprehensive loss was primarily associated with the \$0.2 million decrease in revenue from the three months ended June 30, 2010, \$0.1 million of increased expenses from client services and \$0.2 million of increased expenses from stock-based compensation expense recognized.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

3. LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents on September 30, 2010 were \$3.0 million.

Cash Flow from Operating Activities: Cash of \$0.3 million was generated by operating activities in the quarter ended September 30, 2010 compared to \$20,000 generated by operating activities for the quarter ended September 30, 2009. The most significant improvements to cash from operating activities relate to a reduction in the net loss from \$0.8 million to \$0.5 million as well as an increase in cash collected on deferred revenue. Cash provided by operating activities in the six months ended September 30, 2010 was \$1.3 million, compared to cash used in operating activities of \$0.9 million for the six months ended September 30, 2009. The most significant items attributable to this improvement are a reduction in the net loss by \$1.1 million and adjustments to net loss including an increase in deferred revenue of \$1.0 million and an increase in income taxes payable of \$0.4 million offset by an increase in accounts receivable of \$0.3 million.

Cash Flow from Investing Activities: Cash was used to purchase property and equipment and to incur costs on capitalized development projects, totalling \$0.2 million and \$0.5 million for the three and six months ended September 30, 2010 compared to \$0.01 million during the same three and six month periods of the last fiscal year.

The most significant increase was related to the costs incurred on capitalized development. During the three and six months ended September 30, 2010, costs incurred on capitalized development costs were \$0.2 million and \$0.5 million, respectively, as compared to nil during the same periods in the last fiscal year.

Cash used to purchase property and equipment amounted to \$0.01 million and \$0.1 million for the three and six months ended September 30, 2010 compared to \$0.01 million during the three and six month periods last year.

Cash Flow from Financing Activities: Cash used by financing activities for the three months ended September 30, 2010 totalled \$0.6 million compared to a use of cash for the year ago quarter of \$0.1 million. Cash generated by financing activities for the six months ended September 30, 2010 totalled \$0.6 million compared to a use of cash of \$0.07 million for the same period in the last fiscal year.

During the three months ended September 30, 2010, the Company received net proceeds of \$1.9 million from a term loan, \$2.0 million from escrowed funds related to subscription receipts and \$0.8 million from borrowings from its revolving line of credit. The Company used the term loan and subscription receipts, along with \$1.3 million from the private placement in April 2010 to repay the subordinated debentures of \$5.3 million in July 2010. The Company also used \$0.07 million and \$0.1 million for the repayment of capital lease obligations during the three and six months ended September 30, 2010 compared to \$0.08 million and \$0.1 million in the same periods in the previous fiscal year.

At September 30, 2010, the Company had \$3.0 million of cash and cash equivalents and negative working capital of \$2.5 million (including current deferred revenue of \$4.0 million). The Company generated \$0.2 million of cash from operations for the quarter ended September 30, 2010. The Company is required to adhere to certain financial covenants in connection with its senior debt agreements. In order for the Company to achieve and sustain consistent positive operating cash flow, working capital or profitability and in order to meet its financial covenants, the Company will need to continue to generate

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

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.

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 or transaction based models, which do not generally require a large upfront payment, is favoured in future periods, the Company may experience a decrease in upfront 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. As at and for the quarter ended September 30, 2010, the company was in compliance with its debt covenants.

As mentioned above, the Company completed a comprehensive debt and private placement financing in April 2010 and in July 2010, the proceeds of the financing were used to repay the Company's subordinated debt. The completed financing transactions included a US \$1 million revolving line of credit and a CAD \$2 million three year term loan for aggregate proceeds of approximately \$3 million. The Company also issued an aggregate of 5,682,364 common shares of the Company at a price of \$0.22 per common share for gross proceeds of \$1.25 million and concurrently issued 2,074 subscription receipts to receive convertible debentures for gross proceeds of \$2.074 million, all on a non-brokered private placement basis. When the subordinated debt was repaid in July 2010, the holder of each Subscription Receipt received, without additional consideration, convertible unsecured subordinated debentures (the "Debentures").

The Debentures bear interest at a rate of 12% per annum, payable monthly and are scheduled to mature in July 2013. Following the first year anniversary of the Debentures, the Company has the right to redeem the Debentures, in whole or in part, at a price equal to their principal amount plus accrued and unpaid interest. The Debentures are convertible at the holder's option into fully-paid common shares at any time prior to maturity or redemption at a conversion price of \$0.35 per share.

The term loan and the line of credit (collectively called the 'Senior loan facility') bear interest at a variable rate of the prime rate plus 3% and borrowings under these arrangements are collateralized by a security interest in the Company's assets. The term loan is repayable in 30 equal monthly instalments of principal plus all accrued interest commencing November 1, 2010.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

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 ("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.

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

Definition	Fiscal Quarter Ended September 30, 2010	Fiscal Quarter Ended September 30, 2009	Six Months Ended September 30, 2010	Six Months Ended September 30, 2009
Loss and Comprehensive Loss	\$ (468)	\$ (726)	\$ (477)	\$ (1,570)
<i>Adjustments for:</i>				
Other Loss (Income)	(4)	(35)	(15)	(78)
Interest	249	253	425	570
Depreciation and Amortization	420	553	839	1,121
Stock-based Compensation	217	136	241	161
Current Tax expense / (income)	(28)		(11)	
EBITDA	\$ 386	\$ 181	\$ 1,002	\$ 204

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

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

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

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

Definition	Fiscal Quarter Ended September 30, 2010	Fiscal Quarter Ended September 30, 2009	Six Months Ended September 30, 2010	Six Months Ended September 30, 2009
Non-Recurring Revenue	\$ 1,491	\$ 585	\$ 3,050	\$ 1,152
Recurring Revenue	2,723	3,341	5,565	6,904
Revenue	\$ 4,214	\$ 3,926	\$ 8,615	\$ 8,056

5. TRANSACTIONS WITH RELATED PARTIES

In April 2010, certain directors and officers participated in the Private Placement offerings (described in Section 6) as further described in the Material Change Report dated April 22, 2010 which was filed by the Company on www.sedar.com.

At September 30, 2010 the Company had a deferred compensation balance of \$47,386 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, 2010.

6. RECENT EVENTS

Subordinated Debt Warrants

In April 2010, Nightingale announced that it had completed private placement financings (collectively, the "Private Placement") of common shares and subscription receipts ("Subscription Receipts"), for aggregate gross proceeds of \$3.3 million, and entered into a commitment with a third-party financial institution for additional aggregate gross proceeds of approximately \$3.0 million in revolving and term debt (collectively, the "Senior Loan Facility"). On July 29, 2010, the Company used the proceeds of the Private Placement and the Senior Loan Facility for general corporate purposes and to refinance its outstanding subordinated debt on more favourable terms.

The Company completed the Private Placement on April 20, 2010, whereby it issued an aggregate of 5.7 million common shares of the Company at a price of \$0.22 per common share for gross proceeds of \$1.3 million and concurrently issued 2,074 subscription receipts for gross proceeds of \$2.074 million, all on a non-brokered private placement basis. The Subscription Receipts were all automatically converted

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

on July 29, 2010 pursuant to their terms. On conversion, each Subscription Receipt entitled the holder to receive, without additional consideration, a convertible unsecured subordinated debenture in the aggregate principal amount of \$1,000. The Debentures bear interest at a rate of 12% per annum, payable monthly and are scheduled to mature in July 2013. Following the first year anniversary of the Debentures, the Company has the right to redeem the Debentures, in whole or in part, at a price equal to their principal amount plus accrued and unpaid interest. The Debentures are convertible at the holder's option into fully-paid common shares at any time prior to maturity or redemption at a conversion price of \$0.35 per share. Upon the automatic conversion of the Subscription Receipts, an amount of escrowed funds equal to \$2.1 million was released to the Company.

Concurrently, the Company completed the funding of the Senior Loan Facility. The proceeds of the Private Placement and the Senior Loan Facility were used for general corporate purposes and to refinance the Company's outstanding subordinated debt in the amount of \$5.3 million.

7. RECENT ACCOUNTING PRONOUNCEMENTS

Our accounting policies and changes in accounting policies are also described in notes 1 and 4, respectively, to our consolidated financial statements for the three and six month periods ended September 30, 2010.

Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued Emerging Issues Committee ("EIC") 175, Multiple Deliverable Revenue Arrangements, replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to (1) exclude from the application of the updated guidance those arrangements that would be accounted for in accordance with financial Accounting Boards Statement (FASB) Statement of Position (SOP) 97-2, Software Revenue Recognition, as amended by Accounting Standards Update (ASU) 2009-14; (2) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (3) require in situations where a vendor does not have vendor-specific objective evidence (VSOE) or a third party evidence of selling price, require that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (4) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (5) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance.

The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011 with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Company's fiscal period of adoption. The Company has elected to early adopt this abstract to revenue arrangements with multiple deliverables entered into on or after April 1, 2010. The adoption of EIC 175 does not impact the Company's existing method of establishing units of accounting nor the timing of revenue recognition of the arrangement consideration. The adoption of EIC 175 is not expected to have a material impact in future periods to the extent that the Company continues to enter into similar arrangements.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

Recent accounting pronouncements not yet adopted

The following accounting pronouncements have been released but have not yet been adopted by the Company.

(a) International Financial Reporting Standards ("IFRS"):

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards (IFRS) will replace current Canadian GAAP for publicly accountable enterprises, including Nightingale, effective for fiscal years beginning on or after January 1, 2011.

Accordingly, The Company will apply accounting policies consistent with IFRS beginning with its interim financial statements for the quarter ended June 30, 2011. Our fiscal 2012 interim and annual financial statements will include comparative fiscal 2011 financial statements, adjusted to comply with IFRS.

IFRS Transition Plan

The Company has identified the key areas where changes to current accounting policies may be required on adoption of IFRS, prepared a comprehensive transition plan, and engaged the services of a third party adviser to assist with the transition.

The Company is currently performing detailed analysis of the IFRS requirements related to its significant accounting policies to determine where changes to accounting policies may be required.

The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Identification of key areas for which changes to accounting policies may be required	Complete
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives.	In progress, expected to be complete during Q3 fiscal 2011
Assessment of first-time adoption (IFRS 1) requirements and alternatives.	In progress, expected to be complete during Q3 fiscal 2011
Determination of expected changes to accounting policies and expected choices to be made with respect to first-time adoption alternatives	Q4 fiscal 2011
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Q4 fiscal 2011 – Q1 fiscal 2012
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Q4 fiscal 2011

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

Impact of Adopting IFRS on the Organization

As the transition plan progresses, the Board of Directors and Audit Committee are being updated on progress, and with information regarding the potential for changes to significant accounting policies. As part of the implementation plan, the Company's employees that are involved in the preparation of financial statements are receiving training on the relevant aspects of IFRS and the potential for changes to accounting policies.

The Company is also assessing what changes may be required to its accounting systems and business processes, and whether any contractual arrangements may be impacted by potential changes to accounting policies.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS may result in changes to significant accounting policies and have an impact on the recognition and measurement of transactions and balances within the Company's financial statements. Although the Company has not yet completed the determinations of the full effects of adopting IFRS on its financial statements, included below are highlights of the areas that have been identified as having the most potential for a change to significant accounting policies.

This is not intended to be complete list of areas where the adoption of IFRS will require a change in accounting policies, but to provide highlights of the analysis performed to date. As the IFRS implementation plan continues, the Company will make a final determination of changes to its accounting policies that will result from adopting IFRS, and may identify other changes that will have an impact on the financial statements.

The Company has identified the following key areas that have the most potential for changes to accounting policies on adoption of IFRS:

- Revenue Recognition – IFRS contains significantly less specific guidance with respect to revenue recognition, particularly with respect to the criteria to separate multiple element arrangements and the allocation of revenue to the separated elements. Resulting changes in accounting policy may have an impact on the timing of revenue recognition.
- Foreign Currencies – IFRS requires that the functional currency of the company and its subsidiaries be determined separately, and the process of considering factors to determine functional currency are somewhat different than current Canadian GAAP. It is possible that a change in the functional currency of one or more its subsidiaries would be required on adoption of IFRS. The Company has not finalized this assessment or whether retrospective application of any change would have a significant effect on the financial statements.
- Impairment of Assets – IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value. Depending on the circumstances, this may lead to the recognition of impairment losses under IFRS that would not otherwise have been recognized under current Canadian GAAP.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

Goodwill is tested annually for impairment under both Canadian GAAP and IFRS. However, there are differences in the methods used to determine whether an impairment loss should be recognized, and the measurement of the impairment loss (if any). Under Canadian GAAP, goodwill is first tested for impairment by comparing the carrying amount of the goodwill and associated assets to their fair value. If the carrying amount of the goodwill and associated assets exceeds their fair value, an impairment loss is calculated by comparing the carrying amount of the goodwill to the implied fair value of the goodwill. Goodwill is tested for impairment under IFRS by comparing the carrying amount of the goodwill and associated assets to their recoverable amount (defined as the higher of the fair value less costs to sell and the value in use). Value in use is determined using discounted estimated future cash flows. The Company is in the process of determining whether these differences will have an impact on the carrying amounts of goodwill and associated assets in its opening IFRS balance sheet.

- Share-based Payments – In certain circumstances, IFRS requires a different measurement of share-based compensation than current Canadian GAAP. In particular, a change may be required to the measurement and timing of recognizing the expense associated with grants under the stock option plan and restricted share plan. The Company is determining the impact of the change on the measurement of compensation expense associated with the stock option plan.
- Provisions – In certain circumstances, IFRS guidance with respect to the recognition and measurement of liabilities differs from current Canadian GAAP. Changes in accounting policies on adoption of IFRS may result in the recognition of additional liabilities, or a different measurement of the liabilities currently recognized under current Canadian GAAP.
- Income Taxes – While accounting for income taxes is similar under IFRS and Canadian GAAP, in certain circumstances there are differences in the measurement of future tax assets and future tax liabilities. The Company is determining whether any changes in its accounting policies related to income taxes will have a significant effect on its financial statements.

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS generally requires retrospective application of IFRS as effective at the end of the entity's first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

As analyses of the company's accounting policies continue under IFRS, the Company will determine which available optional exemptions it will apply on adoption of IFRS.

The Company expects to elect the following IFRS optional exemptions in the preparation of an opening IFRS statement of financial position as at April 1, 2010, Nightingale's "Transition Date":

- To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3R Business Combinations prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

As the analyses of its accounting policies under IFRS continues, the Company may decide not to elect to apply these, or to apply other, optional exemptions contained in IFRS1.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at April 1, 2010 will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Subsequent Disclosures

Further disclosures of the IFRS transition are expected as follows:

- The Company's MD&A for the future fiscal 2011 interim periods and the year ended March 31, 2011 will include updates on the progress of the transition plan, and, to the extent known, information regarding the impact of adopting IFRS on key line items in the annual financial statements.
- The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending June 30, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending June 30, 2011 will also include fiscal 2011 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position (as at April 1, 2010).

(b) Business combinations:

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.

(c) Consolidated financial statements:

In January 2009, the CICA issued Handbook 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.

(d) Non-controlling interests in consolidated financial statements:

In January 2009, the CICA issued Handbook Section 1602, "Noncontrolling interests in Consolidated Financial Statements". This section specifies that noncontrolling interests be treated as a separate component of equity, not as a liability or other item outside of equity. Section 1602 is effective for periods beginning on or after January 1, 2011 and will be applied prospectively to all noncontrolling interests,

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

including any that arose before the effective date. The Company is currently assessing the future impact of this new standard on its consolidated financial statements.

8. RISKS AND UNCERTAINTIES

Readers are encouraged to read the section entitled "Risk Factors" in the Company's fiscal 2010 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

The Company had 76,310,915 common shares outstanding as at November 18, 2010. The following table sets out common shares, stock options and warrants outstanding as at September 30, 2010.

	Authorized	Issued as at September 30, 2010
Common Shares, Voting	Unlimited	76,310,915 ⁽¹⁾
Preferred Shares	Unlimited	-
Stock Options – Issued and Outstanding		6,726,365
Warrants – Issued and Outstanding		4,233,870

⁽¹⁾ As at September 30, 2010, 1,666,667 common shares issued upon the purchase of HealthNet are subject to a performance escrow period ending in fiscal 2010. These shares were excluded from the total outstanding balance in the September 30, 2010 interim consolidated financial statements. The performance escrow period ended in fiscal 2010 and these common shares are expected to be cancelled in the third quarter of fiscal 2011.

10. OUTLOOK

See "Cautionary Note Regarding Forward-Looking Statements"

The October 29, 2009, EMR funding announcements in Ontario have led to an increase in the level of inquiries and interest in the Company's certified ASP EMR solution. Accordingly, Nightingale is focusing its attention and investments on key areas of the business that best position us to acquire new customers and expand our market share, while remaining committed to managing expenses and cash in pursuit of achieving consistent positive cash flow, positive EBITDA and profitability.

Organic growth is an important objective for Nightingale in the coming quarters, with the Company particularly focused on expanding its base of higher margin EMR software revenue. The Company is working to drive growth through three key organic initiatives:

1. increasing the number of healthcare practitioners on the Nightingale platform,
2. leveraging its broad client base to cross-sell its products, and
3. introducing new revenue streams with the launch of its patient-centric offering.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE THREE AND SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2010

Nightingale has seen improved sales momentum in fiscal 2011, selling more than 400 seats of its ASP-based EMR software to healthcare providers across Canada in the first half of the year. However, the Company expects that there will be continued near-term fluctuations in quarterly results as the EMR market unfolds, with funding being rolled out to physicians at clinics of varying sizes and as new customers choose either the Company's up-front license or a monthly utilization payment option.

In the US, the recently launched government stimulus programs and EMR adoption incentives are increasing the level of interest in and adoption of EMR solutions. As such, Nightingale is focused on completing its product development efforts in order to achieve certification under the recently finalized meaningful use criteria as well as its selling and distribution plans for the US market. The Company believes that there is a significant longer term opportunity available in the US market.

Of note, during fiscal 2010, Nightingale realized reductions in its low-margin transcription business. The Company expects this to persist throughout fiscal 2011, impacting the year-over-year comparisons. However, longer term, Nightingale believes that reductions in transcription revenue will be offset by revenue generated from software sales, as its existing EMR sales pipeline and the technology leadership of its product offering position the Company to further strengthen its financial results over the longer term.

11. ADDITIONAL INFORMATION

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