NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
For the three-month interim period ended June 30, 2008

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

This MD&A, prepared as of August 29, 2008, should be read in conjunction with the Company's March 31, 2008 Audited Consolidated Annual Financial Statements and Notes as well as with the Company's Unaudited Consolidated Interim Financial Statements for the period ended June 30, 2008.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2008

This MD&A provides an overview of significant developments that have affected Nightingale Informatix Corporation's ("Nightingale" or "the Company") performance during the three-month period ended June 30, 2008.

The unaudited interim consolidated financial statements referred to in this MD&A have been prepared in accordance with Canadian generally accepted accounting principles and are consistent with those used in the Company's year-end audited financial statements.

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".

Cautionary Note Regarding Forward-Looking Statements

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

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2008

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. 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-MONTH PERIOD ENDED JUNE 30, 2008

1. OVERVIEW

Business Description

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

Nightingale's Strategy

As an early entrant into the market with a unique EMR technology solution, Nightingale has established itself as a leading healthcare software and service provider in Canada, boasting contract wins with a key hospital, provincial and territory governments and a large-scale provincial government funding agency. Through a series of strategic acquisitions, the Company has positioned itself as an emerging player in the U.S. healthcare industry, and has already begun to build a customer base with clients such as a 203-bed hospital, a 45-physician group practice and a regional healthcare facility in New York State. 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 U.S. healthcare market. To leverage the value Nightingale has created in the business, the Company is primarily focused on three organic growth objectives:

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

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

3. *Establish new revenue streams*
Nightingale will work to extend the reach of its healthcare technology solutions to meet the needs of patients. Starting in fiscal 2009, Nightingale plans to launch patient-centric product and service

offerings throughout North America. The Company will primarily focus on capitalizing on the more than 5.3 million patients whose records are already managed on the Company's ASP EMR.

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, support and maintenance fees in a single monthly fee. Implementation and training services are offered under both licensing models and are typically recognized as services are rendered. For data management and transcription services, Nightingale charges per report or per minute transcribed and for billing services, a percentage of amounts collected. For electronic transactions, Nightingale charges a flat monthly fee per provider or a per claim fee and for statements, a per statement fee. For both transcription and electronic transactions revenue is recognized as the services are provided.

Q1 Fiscal 2009 Highlights

- Revenue was $4.9 million, compared to revenue from continuing operations of $5.0 million in Q1 fiscal 2008. The change in the U.S. dollar negatively affected revenue for Q1 fiscal 2009 by 5.5%, or $0.27 million.
- Recurring Revenue was $3.3 million, an increase from $3.2 million in Q1 fiscal 2008. Non-Recurring Revenue was $1.6 million, or 33.1% of revenue, compared to Non-Recurring Revenue of $1.8 million or 35.7% in Q1 fiscal 2008. Both of these revenue measures are considered non-GAAP measures (see definition in section 4.b under Non-GAAP Measures).
- Gross profit as a percentage of revenue was 74.2%, compared to gross profit as a percentage of revenue of 75.0% in Q1 fiscal 2008.
- EBITDA (see definition in section 4.a. under Non-GAAP Measures) was $(0.2) million, compared to EBITDA of $(0.4) million in Q1 fiscal 2008.
- Net loss was $1.3 million, or $(0.02) per share, compared to a loss from continuing operations of $1.9 million, or $(0.03) per share, in Q1 fiscal 2008.
- Recognized $0.95 million of Nightingale onDemand EMR software license revenue relating to a Canadian government agency.
- Signed hosted EMR agreement with Killick Health Services Inc., a Newfoundland-based private multidisciplinary healthcare clinic.
- Subsequent to quarter end, completed the OntarioMD certification process, enabling eligible primary care physicians across Ontario to receive funding when implementing Nightingale's hosted EMR solution. Nightingale is one of three funding approved ASP EMR providers in Ontario.

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

Results of Continuing Operations In $ 000's (Except per Share Amounts)	Fiscal Year Ended March 31, 2006	Q2 Ended Sept 30, 2006	Q3 Ended Dec 31, 2006	Q4 Ended March 31, 2007	Fiscal Year Ended March 31, 2007	Q1 Ended June 30, 2007	Q2 Ended Sept 30, 2007	Q3 Ended Dec 31, 2007	Q4 Ended March 31, 2008	Fiscal Year Ended March 31, 2008	Q1 Ended June 30, 2008
Recurring Revenue	$679	$2,524	$2,376	$2,509	$9,828	$3,213	$3,399	$3,229	$3,247	$13,088	$3,309
Non-Recurring Revenue	3,513	943	1,778	903	4,187	1,785	2,358	713	931	5,788	1,637
Total Revenue	4,192	3,467	4,154	3,412	14,014	4,998	5,757	3,942	4,178	18,876	$4,946
Gross Profit	3,587	2,486	3,046	2,317	9,589	3,750	4,318	2,660	2,979	13,706	3,669
Expenses	6,588	3,584	3,396	4,266	14,856	4,913	5,084	5,220	4,739	19,957	4,561
EBITDA Loss (non-GAAP measure)	(2,101)	(710)	(12)	(1,636)	(3,841)	(381)	(158)	(1,799)	(1,186)	(3,524)	(236)
Operating Loss	(3,001)	(1,097)	(349)	(1,949)	(5,267)	(1,162)	(766)	(2,561)	(1,761)	(6,250)	(892)
Loss	$(3,000)	$(1,084)	$(352)	$(1,956)	$(5,713)	$(1,914)	$(1,602)	$(3,431)	(7,342)	(14,289)	(1,260)
Loss per Common Share	$(0.11)	$(0.03)	$(0.01)	$(0.05)	$(0.14)	$(0.03)	$(0.02)	$(0.05)	$(0.11)	$(0.22)	$(0.02)
Weighted Avg. Common Shares	27,651	41,818	41,945	41,926	40,120	63,345	66,914	66,914	67,460	66,228	67,479
Total Assets	$9,522	$17,825	$18,825	$17,531	$17,531	$39,469	$38,499	$36,201	$23,992	$23,992	$21,807
Total Long Term Liabilities	$1,796	$1,572	$1,585	$2,014	$2,014	$11,398	$11,831	$12,097	$6,948	$ 6,948	$6,366

Revenue: For the three months ended June 30, 2008, revenue was $4.9 million which compares to $5.0 million for the three months ended June 30, 2007, representing a 1.1% decrease. This decrease was due primarily to a reduction in Non-Recurring Revenue over the same quarter last fiscal year, with a Recurring Revenue increase offsetting some of this decrease over these periods.

Revenue of $4.9 million generated in the quarter represents an 18.4% increase over revenue of $4.2 million generated in the previous fiscal quarter ended March 31, 2008. This improvement is primarily related to an increase in Non-Recurring Revenue, with Recurring Revenue slightly increasing over the previous fiscal quarter.

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

Recurring Revenue for the three months ended June 30, 2008 was $3.3 million, or 66.9% of revenue. This compares to Recurring Revenue of $3.2 million or 64.3% of revenue for the three months ended June 30, 2007 and $3.2 million 77.7% of revenue for the previous fiscal quarter ended March 31 2008. Recurring Revenue was fairly flat, as the Company's increase in transactional fees, support and maintenance and billing and financial management revenue was offset by lower data management and transcription revenues.

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

Non-Recurring Revenue for the three months ended June 30, 2008 was $1.6 million, or 33.1% of revenue, which compares to $1.8 million, or 35.7% of revenue for the three months ended June 30, 2007, and $0.93 million, or 22.3% of revenues, for the quarter ended March 31, 2008. The 8% decrease from the year ago quarter was primarily due to lower professional services revenues which was partially offset by an increase in software revenues. The 78% increase from the previous quarter was primarily due to the recognition of a $0.95 million license revenue contract with a certain Canadian government agency.

Gross Profit: For the three months ended June 30, 2008, gross profit was $3.7 million, or 74.2% of revenue (gross profit margin), compared to $3.8 million, or 75.0%, for the same quarter last fiscal year and compared to $3.7 million, or 74.2%, for the previous quarter. Gross margin is typically higher in quarters where revenues from higher margin software license sales comprise a larger proportion of the overall sales mix.

Expenses: Expenses for the three months ended June 30, 2008, were $4.6 million, or 92.2% of total revenue, compared to $4.9 million, or 98.3% of total revenue for the three months ended June 30, 2007, representing a 7.2% decrease over these periods. Nightingale has implemented cost reductions through a number of post-VantageMed acquisition integration initiatives and it will continue to focus on prudent expense management. However, it should be noted that as part of its growth strategy, Nightingale has and will continue to re-deploy resources and may invest in new employees for select job functions as it expands its product offering, sales and marketing programs and delivery capabilities in support of revenue generating initiatives.

Nightingale's expenses are also affected by changes in the U.S. dollar exchange rate with approximately 48% of the Company's expenses during the three months ended June 30, 2008 generated in the U.S.

Sales and marketing expenses for the three months ended June 30, 2008, were $0.7 million, compared to $0.84 million for the three months ended June 30, 2007, representing a 16.7% decrease over these periods. The decrease over the year ago quarter reflects the management restructuring implemented in fiscal 2008 with respect to the sales department.

For the current fiscal quarter, sales and marketing expenses were $0.7 million, similar to the $0.7 million for the fiscal quarter ended March 31, 2008. The Company will continue to make an investment into new sales and marketing resources as needed as it expands its product offering and to support revenue generating initiatives.

General and administration expenses for the three months ended June 30, 2008, were $0.85 million. This compares to $0.72 million for the three months ended June 30, 2007, representing a $0.12 million, or 17.9% increase. The higher level of general and administration expense can be attributed to increased legal and accounting consulting expenses incurred during the quarter.

For the current fiscal quarter, general and administration expenses were $0.85 million, compared to $1.02 million for the fiscal quarter ended March 31, 2008, representing a $0.17 million or 16.4% decrease. The sequential decrease is primarily attributable to lower legal, accounting and regulatory costs incurred during this quarter compared to the previous quarter.

Research and development expenses for the three months ended June 30, 2008, were $1.1 million compared to $1.2 million for the three months ended June 30, 2007. This represents a $0.1 million, or 8.1% decrease that is primarily attributable to lower consulting services fees incurred during the quarter.

For the current fiscal quarter research and development expenses were $1.1 million, consistent with $1.0 million for the fiscal quarter ended March 31, 2008.

Client services expenses for the three months ended June 30, 2008, were $1.3 million. This compares to client services expenses of $1.4 million for the three months ended June 30, 2007, representing a $0.12 million, or 8.7% decrease, over these periods. This decrease is primarily attributable to lower salaries expense incurred during the quarter.

For the current fiscal quarter, client services expenses were $1.3 million, compared to $1.4 million for the fiscal quarter ended March 31, 2008.

Stock-based compensation for the three months ended June 30, 2008, was $0.04 million, compared to $0.21 million for the three months ended June 30, 2007.

Depreciation and amortization for the three months ended June 30, 2008, was $0.61 million, which compares to $0.57 million for the three months ended June 30, 2007.

EBITDA (non-GAAP measure, see note 4.a for a definition): EBITDA for the three months ended June 30, 2008, was a loss of $0.24 million, or 4.8% of revenue. This compares to an EBITDA loss of $0.38 million, or 7.6% of revenue for the three months ended June 30, 2007. The similarity in EBITDA compared to the corresponding period last fiscal year reflects the Company's expense management initiatives, with total expenses having decreased by $0.35 million.

For the three months ended June 30, 2008, EBITDA was a loss of $0.24 million, or 4.8% of revenue compared to an EBITDA loss of $1.2 million, or 28.4% of revenue, for three months ended March 31, 2008. The sequential improvement in EBITDA is largely due to an increase in software and related professional services revenues and a reduction in expenses compared to the previous fiscal quarter.

Operating Loss: For three months ended June 30, 2008, operating loss was $0.89 million, or 18.0% of revenue. This compares to an operating loss of $1.2 million or 23.3% of revenue for the three months ended June 30, 2007. The improvement in operating loss compared to the same period last fiscal year is primarily due to lower stock based compensation incurred in the current fiscal quarter.

For the three months ended June 30, 2008, operating loss was $0.89 million, or 18.0% of revenue. This compares to an operating loss of $1.8 million or 42.1% of revenue for the three months ended March 31, 2008. As noted above, this sequential improvement can largely be attributed to an increase in software and related professional services revenues and a reduction in expenses compared to the previous fiscal quarter.

Interest and Other Income/ Loss: Interest charges for the three months ended June 30, 2008 were $0.36 million, compared to $0.7 million for the three months ended June 30, 2007. This decrease over last fiscal year is largely a result of reduced interest associated with the repayment of $6 million on the subordinated debt.

In the previous fiscal quarter, interest charges were $1.01 million, significantly higher than the $0.36 million in the current quarter. This significant decrease is due to realization of interest accretion expenses on the portion of the subordinated debt that was repaid during the previous fiscal quarter.

Included in other income/loss are foreign currency adjustments related to monetary translations. For the three months ended June 30, 2008, other income was $0.01 million, or 0.2% of revenue. This compares to other income of $0.05 million, or 1.1% of revenue, for the three months ended June 30, 2007.

Other income was $0.01 million, or 0.2% of revenue for the current quarter which compares to other income of 0.03 million or 0.6% of revenue for the previous fiscal quarter ended March 31, 2008.

Loss and Comprehensive Loss: For the three months ended June 30, 2008, net loss was $1.3 million, or 25.5% of revenue. This compares to a net loss of $1.9 million, or 38.3% of revenue, for the three months ended June 30, 2007. The improvement in net loss can be primarily attributed to a reduction of operating expenses and lower interest expenses associated with the repayment of $6 million on the subordinated debt during the previous fiscal quarter.

Net loss was $1.3 million for the current fiscal quarter, or 25.5% of revenue, which compares to $7.3 million, or 175.7% of revenue, for the previous fiscal quarter ended March 31, 2008. The significant improvement in net income is primarily due to $4.6 million of tax expenses related to the sale of the Helper product line, incurred during the previous quarter.

US Dollar Exchange Rate Impact: Over the three months ended June 30, 2008, the Company generated 62.6% of revenue from the U.S. market. With the recent decline in the value of the U.S. dollar relative to the Canadian dollar, the Company estimates that revenue was negatively impacted by a difference of approximately 5.5%, or $0.27 million over the three months versus the same period during the previous fiscal year.

Over the three months ended June 2008, approximately 47.8% of the Company's expenses were incurred in the US, providing the Company with a natural hedge position that has helped offset some of effects of the reduction in value of the US dollar.

Going forward, the variability in the value of the US dollar, compared to the Canadian dollar, is expected to have a continued impact on the Company's financial results.

3. LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $4.4 million at June 30, 2008.

Cash Flow from Operating Activities: Cash flow used in operating activities in the quarter ended June 30, 2008 was $0.45 million, compared to $1.1 million for the quarter ended June 30, 2007. The most significant contributions to or uses of cash in operations during the quarter ended June 30, 2007 included a decrease in accounts receivable of $0.36 million, a decrease in accounts payable and accrued liabilities of $.34 million and a decrease in deferred revenue of $0.67 million. The most significant contributions to or uses of cash in operations during the quarter ended June 30, 2008 included a decrease in accounts receivable of $0.59 million and a decrease in accounts payable and accrued liabilities of $1.0 million.

Cash Flow from Investing Activities: During the quarter ended June 30, 2008, cash flow used in investing activities was $0.06 million, which was used for the purchase of property and equipment during the quarter. This compares to cash flow used in investing activities of $13.7 million during the same period last fiscal year, with approximately $13.6 million used in the purchase of VantageMed.

Cash Flow from Financing Activities: Cash flow from financing activities for the quarter ended June 30, 2008 totalled $0.1 million, representing repayment of capital lease obligations during the quarter. This compares to cash flow from financing activities of $18.2 million during the same period last fiscal year, with $8.7 million related to the Company's public offering, $11.1 million in proceeds from the subordinated debt and a $1.54 million repayment towards the retirement of the Company's Greenfield line of credit facility, all having occurred during the quarter ended June 30, 2007.

During the fiscal quarter ended June 30, 2008, current assets decreased by $1.6 million to $8.5 million from $10.0 million at March 31, 2008 while current liabilities decreased by $1.1 million to $8.7 million from $9.9 million, resulting in a decrease in total working capital of $0.5 million.

Subsequent to the quarter ended June 30, 2008 the Company experienced a breach of a financial covenant under a loan agreement with Wellington Financial LP and Export Development Canada. The Company has received a waiver of the breach from these lenders and certain covenants and other terms of the subordinated debt agreement were amended. Management expects to meet these amended covenants over the remaining term of the loan agreement. The Company has also agreed to amend 50% or 3,997,093 of the common share purchase warrants provided to these lenders by amending the exercise price to a current market price and resetting the five year exercise period from the date of the waiver. Such amendments are subject to regulatory approval. The Company has also agreed to repay $750,000 of the outstanding principal during its second and third fiscal 2009 quarters. The remaining principal amount of $5,250,000 is due March 2010.

The Company believes that under its current business plan it has sufficient cash to sustain its operations for the foreseeable future. It should be noted however, that to date, Nightingale has not consistently generated positive cash flow from operating activities and is still highly dependent on new sales to minimize and eventually eliminate its cash usage. Up until the point where the Company is able to generate and predict continued positive cash flows from Recurring Revenue on a consistent basis, the Company may require further cash infusions from investors to maintain its operations.

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

EBITDA is a non-GAAP measure that management believes this information would be useful to investors to help evaluate the performance of the Company. However, investors should be cautioned 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 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. Management uses this information internally for forecasting and budgeting purposes.

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

In $000's Definition	Fiscal Quarter Ended June 30, 2008	Fiscal Quarter Ended June 30, 2007
Loss and Comprehensive Loss	$ (1,260)	$ (1,787)
Adjustments for:		
Other Loss	12	54
Interest	356	697
Depreciation and Amortization	612	569
Stock-based Compensation	44	213
Earning from discontinued operations	-	(127)
EBITDA (Loss)	$ (236)	$ (381)

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:

In $000's Definition	Fiscal Quarter Ended June 30, 2008	Fiscal Quarter Ended June 30, 2007
Non-Recurring Revenue	$ 1,637	$ 1,785
Recurring Revenue	$ 3,309	$ 3,213
Total Revenue	$ 4,946	$ 4,998

5. TRANSACTIONS WITH RELATED PARTIES

In September 2007, the Company entered into a six month consulting agreement with a company that is affiliated with one of the Company's directors. The $60,000 cost of this agreement was recognized as expense over the service period and Nightingale made a cash payment of $30,000 during last fiscal year. The balance of $30,000 was paid in April 2008.

The Company has entered into a number of four-year leases for computer equipment with a company that is affiliated with one of the Company's directors and officers. The total obligation remaining on these leases at June 30, 2008 is $7,086 and the Company made payments pursuant to these agreements totaling $10,038 in each of the quarters ended June 30, 2008 and 2007. The leases expire at various dates through September 2008.

These transactions were recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. RECENT EVENTS

a. VantageMed Acquisition

On April 18, 2007, the Company completed its acquisition ("the VantageMed Acquisition") of all the outstanding shares of VantageMed, a provider of practice management software and services to the healthcare industry in the U.S. market. Total consideration including transaction costs was $14,750,560 (US$13,316,478 or US$0.75 per share) for all of the outstanding shares of VantageMed. Cash of $1,217,473 was included in the acquired assets of VantageMed, resulting in net cash paid of $13,533,087.

This acquisition was accounted for by the purchase method. Effective April 19, 2007, the Company consolidated the operations of VantageMed in its financial statements.

b. Sale of Helper Product Line

During the quarter ended December 31, 2007, the Company classified its Helper product line as discontinued operations. The Helper product line, which provides healthcare information technology solutions for behavioural health providers and therapists, and acquired as part of the VantageMed Acquisition in April 2007, was no longer considered to be core to the Company's objectives and the Company commenced discussions with a third party regarding a potential sale. The results of the Helper operations have been classified as discontinued operations and prior quarterly comparative figures of the current fiscal year have been reclassified to conform to this presentation.

During the quarter ended March 31, 2008, the Company completed the sale of its Helper product line for gross proceeds of approximately $12.3 million (US $12.3 million) less $1.3 million (US $1.3 million) in deferred revenue collected by the Company prior to closing. The Company used a portion of the proceeds to pay down its debt, reducing interest expense on a go-forward basis, and to fund ongoing working capital requirements.

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 will adopt this new guidance effective April 1, 2009. The Company is currently assessing the impact of this standard may have on its financial positions, results of operations or cash flow.

(ii) Convergence with International Financial Reporting Standards

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

8. RISKS AND UNCERTAINTIES

See "Cautionary Note Regarding Forward-Looking Statements"

The Company operates in a dynamic business and economic environment that exposes it to a number of risks and uncertainties. The following section describes some, but not all, of the risks and uncertainties that may adversely impact Nightingale's business, financial condition, or results of operations. Additional risks and uncertainties not presently known to Nightingale or that Nightingale currently deems immaterial may also impact Nightingale's business.

If any of these risks actually occur, the Company's business, financial condition or results of operations could be materially harmed and the trading price of the company's common shares materially affected. The reader should understand that the sole purpose of discussing these risks and uncertainty is to alert the reader to factors that could cause actual results to differ materially from past results or from those described in forward-looking statements and not to describe facts, trends and circumstances that could have a favourable impact on the Company's business.

Some of the Corporation's products are new and the market for them is unpredictable.

The market for Nightingale's products and services has only recently begun to develop. As is typical for a new and rapidly evolving industry, demand and market acceptance for recently introduced services and products are subject to a high level of uncertainty. Furthermore, the adoption of medical software may occur at a much slower rate than current market data suggests. There is no assurance that Nightingale's sales will continue to increase or that it will even be able to maintain current levels. Market conditions will have an impact Nightingale's success in the future. There is also no assurance that Nightingale will earn profits in the future or that any profitability will be achieved or sustained.

The Corporation faces significant competition.

Direct competition among providers of medical software products and services is likely to increase as demand for these products increases. Increased competition may result in price reductions, reduced gross margins, longer sales cycles and loss of market share, any of which would seriously harm Nightingale's business and results of operations. Management of Nightingale cannot be certain that Nightingale will be able to compete successfully against current or future competitors or that competitive pressure will not seriously harm its business.

Some of Nightingale's potential competitors are larger than Nightingale and have greater financial, sales, marketing, technical, manufacturing and other resources. These competitors may be able to respond more rapidly to new or emerging products and changes in customer requirements or devote greater resources to the development, promotion and sale of their products than Nightingale can. Furthermore, some of these competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties in the industry to increase their ability to rapidly gain market share by addressing the needs of prospective customers.

Nightingale's operating results may fluctuate each quarter.

Nightingale may experience fluctuations in future quarterly operating results that may be caused by many factors, including: (i) variability of sales to new and existing customers, (ii) changes in the level of marketing and other operating expenses to support future growth, (iii) competitive factors; and (iv) the timing of delivery. Consequently, Nightingale believes that period-to-period comparisons of its operating results will not necessarily be meaningful and should not be relied upon as an indication of future performance. It is likely that Nightingale's future quarterly operating results from time to time will not meet the expectations of securities analysts or investors, which may have a material adverse effect on the market price of its common shares.

Nightingale is currently not generating positive cash flows from its operations and is still highly dependent on new sales every period to minimize its cash usage. Up until the point where the Company is able to generate and predict continued positive cash flows from Recurring Revenue, the Company faces risk in utilizing its existing cash resources and potentially requiring further cash infusions from investors to maintain its operations.

Nightingale will incur expenses while its customers determine whether to purchase its products and services.

The sales cycle of Nightingale's products and services, particularly larger customer opportunities, is lengthy and unpredictable. The dynamics of the Company's sales cycle and its close rates continues to evolve. While customers are evaluating Nightingale's product offering, Nightingale may incur expenses and expend management effort. The result of making these expenditures, with no corresponding revenue in any given quarter, could further exacerbate fluctuations of the quarterly operating results of Nightingale.

Risks relating to availability of government funding to the healthcare industry.

In Canada and the United States, government funding programs are helping to fuel the market for Nightingale's solutions. There is a risk that if funding commitments from government initiatives are eliminated or reduced, then the demand for EMR, clinical and practice management could significantly decrease, which could have a material adverse effect. In the event of any new government funding initiatives, sales in the short term may be adversely affected as prospective customers evaluate programs, adjust spending plans in an attempt to take advantage of new programs, and apply for funding.

Risks Related to the Subordinated Debt Facility.

There are risks associated with the debt service costs and the ability to comply with covenants imposed under the Subordinated Debt facility which may have a material effect upon the operating cash flow of the Company and its ability to conduct its business on a go-forward basis. Should the Company be unable to comply with the covenants associated with the Subordinated Debt facility, there is no guarantee that the Company would be able to work with the lenders to obtain a waiver related to the breach or to revise the covenants so that rights under a default may be waived.

Access to capital market risk.

Nightingale may require additional equity in the future to finance its growth. The type, timing, and terms of financing selected by the Corporation will depend upon its cash needs, the availability of other financing sources and the prevailing conditions in the financial markets. There can be no assurances that any of these sources will be available to Nightingale at any time, that they will be available on favourable terms or at all.

Nightingale faces risks related to its U.S. operations including the impact of foreign exchange fluctuations.

Nightingale may further increase its presence in the United States. Such efforts may not be successful to the degree that management expects. Further, U.S. operations are influenced by numerous inherent risks, including: unexpected changes in regulatory requirements, complex state and local taxes requiring significant judgement in the determination of the obligation to collect and remit such taxes, ; longer accounts receivable payment cycles and possible difficulties in collecting payments that may increase its operating costs and impair its financial performance; political and economic instability; and fluctuations in currency exchange rates.

As indicated in the discussion of financial results, sections 3 and 4, a significant portion of the Company's revenue is denominated in US dollars and is restated to Canadian dollars for financial statement purposes. An increasing proportion of the Company's expenses are also denominated in US dollars which can act as a natural hedge to partially offset the exposure to US denominated revenues. However, significant changes in the foreign exchange rates between Canada and the United States, have had, and may continue to have a material adverse effect on both the revenues and expenses of the Company. As the Canadian dollar strengthens relative to the US dollar, both US dollar denominated revenues and expenses as stated in Canadian dollars will decline. There can be no assurances that the Company will prove successful in its effort to manage this risk, which may adversely impact the Company's financial results.

Risks relating to loss of customer contracts.

The loss of one or more of Nightingale's major customers, the failure to attract new customers on a timely basis, or a reduction in usage and revenues associated with Nightingale's existing or proposed customers would materially harm its business, financial condition, liquidity, operating results and prospects.

Risks relating to bad debts.

The Company regularly evaluates the risk of collections from sales to new and existing customers based on the size and type of customer (e.g. clinic, governmental agency, hospital) and has adopted a policy to take reserves against overdue accounts based on the period for which a receivable has been outstanding. There is always a risk that some customers may not honour their accounts with the Company, resulting in the Company being unable to collect outstanding amounts and a significant charge for bad debts being incurred during a specific period.

Risks relating to product liability.

Nightingale, like any other business, faces an inherent risk of exposure to product and service liability claims in the event that the use of its products and services results in loss of a customer's data or ability to effectively operate their own business. Although Nightingale believes it has sufficient liability insurance coverage in accordance to the standards of its industry, such coverage is subject to standard limitations and exclusions. Product liability claims could have a material adverse effect on Nightingale. The successful assertion or settlement of any uninsured claim, a significant number of insured claims or a claim exceeding Nightingale's insurance coverage could have a material adverse effect on Nightingale.

Nightingale's success depends on attracting and retaining skilled personnel.

Nightingale is dependent on its management. This dependence can be expected to continue over the short and medium term as Nightingale's business expands and matures. Nightingale's ability to develop, market and sell its products and services and to maintain its competitive position depends on its ability to attract, retain and motivate highly skilled technical, sales and marketing and other personnel. Nightingale plans to continue to invest in sales and marketing efforts in order to increase market awareness. Nightingale also plans to continue to invest in research and development initiatives to develop new products, and to increase its customer service and support personnel in North America to support the growth of its business. There are a limited number of people with the necessary technical skills and understanding, and competition for their services is intense. If Nightingale fails to recruit or retain these personnel, its ability to develop new products, obtain new customers and provide an acceptable level of customer service could suffer.

Nightingale's success will depend upon its ability to anticipate and keep pace with technological changes.

The healthcare information technology industry is susceptible to technological advances and the introduction of new technologies. Further, this industry is also subject to changing industry standards, market trends and customer preferences and to competitive pressures which can, among other things, necessitate revisions in pricing strategies, price reductions and reduced profit margins. The success of Nightingale will depend, in part, on its ability to secure technological superiority in its products and operations and maintain such superiority in the face of new technologies. No assurance can be given that further modification of product offerings of Nightingale will not be required in order to meet demands or to make changes necessitated by developments made by competitors that might render services and operations of Nightingale less competitive. The future success of Nightingale will be influenced by its ability to continue to adapt its products. Although Nightingale has committed resources to improve its products, there can be no assurance that these efforts will increase revenues or profits.

Risks relating to security.

Security is always a major concern for any software system dealing with confidential records. Security risks include unauthorized access to confidential information, such as patient records and a customer's enterprise data. If either of these events occurs to Nightingale, its reputation in the marketplace would be damaged, potentially resulting in lost sales of new or existing customers.

Risks relating to system interruptions.

If Nightingale's system is unavailable for any significant period of time, physicians and healthcare providers will be unable to access critical patient records and other information required to perform daily duties. Nightingale may have its reputation in the marketplace damaged, potentially resulting in lost sales of new or existing customers.

Risks relating to share price volatility.

The market prices of Nightingale's Common Shares and the securities of software companies in general have been very volatile. Nightingale's stock price has often fluctuated in a manner that management believes is unrelated or disproportionate to the operating performance of the Corporation. The share price of the Common Shares may decline and/or experience further volatility. Shareholders may not be able to sell their Common Shares at their preferred price because of lack of liquidity. Further decline and volatility may impair our ability to obtain capital through future equity offerings.

Material Impact of HIPPA and PIPEDA Legislation and other Regulatory Risks.

Federal regulations under the US Health Insurance Portability and Accountability Act ("HIPAA") and the Canadian Personal Information Protection and Electronic Documents Act ("PIPEDA") governing the confidentiality and integrity of protected health information are complex and are evolving rapidly. As these regulations mature and become better defined, Nightingale anticipates that they will continue to directly affect certain of its products and services, but the Company cannot fully predict the impact at this time. Nightingale has taken steps to modify its products, services and internal practices, as necessary, to facilitate Nightingale's and its clients' compliance with these regulations, but there can be no assurance that it will be able to continue to do so in a timely or complete manner. Achieving compliance with these regulations could be costly and distract management's attention from its operations. Any failure on Nightingale's part to comply with current or future regulations could subject it to significant legal and financial liability, including civil and criminal penalties. In addition, development of related federal and state regulations and policies regarding the confidentiality of health information or other matters could positively or negatively affect Nightingale's business.

The performance of Nightingale's claims services are governed by numerous federal and state civil and criminal laws. Increased scrutiny has been placed on the billing and collection practices of healthcare providers and related entities. Although Nightingale believes that it is in compliance with any such regulations that may relate to the provision of its claims services, any non-compliance could lead to civil monetary penalties, criminal fines, imprisonment or exclusion from participation in Medicare, Medicaid and other federally funded healthcare programs for Nightingale and the client involved in the non-compliance.

The U.S. Food and Drug Administration (the "FDA") has jurisdiction under the 1976 Medical Device Amendments to the Federal Food, Drug and Cosmetic Act to regulate computer products and software as medical devices if they are intended for use in the diagnosis, cure, mitigation, treatment or prevention of disease in humans. Nightingale believes that its healthcare information systems are not subject to regulation by the FDA. If, however, the FDA determined that Nightingale products were subject to regulation, non-compliance with applicable requirements could result in, among other things, fines, injunctions, civil penalties, total or partial suspension of production, refusal by the government to approve products, revocation of approval or clearance previously granted and criminal prosecution. Future FDA policies, laws or regulations concerning the development or marketing of healthcare information systems may cause Nightingale's products to be subject to FDA regulation, which could increase its costs or delay the marketing of new or existing products.

The healthcare industry is highly regulated and has been the subject of increasing levels of government regulation during the past several years. Nightingale cannot predict with any certainty the types of regulations that might be imposed or the impact that those regulations might have on its business. The adoption of regulations currently unanticipated by Nightingale or by the healthcare industry could impose burdensome requirements or restrictions on Nightingale products or on the activities of healthcare providers. These restrictions could decrease the demand for Nightingale's products and could prevent it from growing its business and attaining profitability.

Reliance on Third Parties.

Nightingale relies on third parties to provide services that are critical to its business. For example, it uses national clearinghouses for the processing of insurance claims and the printing and delivery of patient billings for its clients. Nightingale has also outsourced some of its product testing, installation and hardware maintenance services. Nightingale's reliance on these third parties involves a number of risks, including, but not limited to:

- Reduced control over delivery schedules, quality assurance and equipment costs;
- Lack of guaranteed production capacity or product supply;
- Nightingale's ability to transition to alternate sources, if necessary; and
- Dependence on external resources to implement HIPAA and PIPEDA transaction standards.

Risks relating to acquisitions.

Nightingale has recently completed several acquisitions as part of Nightingale's growth strategy. There is no assurance that Nightingale will derive benefits from such acquisitions or future acquisitions, if any, that Nightingale may pursue. Nightingale may be unable to retain key employees or key business relationships of the acquired businesses, consolidate IT infrastructures, accounting controls, policies and procedures, combine administrative, research and development and other operations, eliminate duplicative facilities and personnel, which could result in significant costs and expenses, and combine product offerings, and integration of the businesses may divert the attention and resources of Nightingale's management. Nightingale's failure to successfully integrate acquired businesses into Nightingale's operations could have a material adverse effect on Nightingale's business, operating results and financial condition. Even if such acquisitions are successfully integrated, Nightingale may not receive the expected benefits of the transactions if it finds that the acquired business does not further Nightingale's business strategy or that Nightingale paid more than what the business was worth. Managing the completion and integration of acquisitions and alliances requires management resources, which may divert Nightingale's attention from other business operations. As a result, the effects of any completed or future transactions on financial results may differ from Nightingale's expectations.

Risks relating to share price volatility.

The market prices of Nightingale's common shares and the securities of software companies in general have been very volatile. Nightingale's stock price has often fluctuated in a manner that management believes is unrelated or disproportionate to the operating performance of the Corporation. The share price of the common shares may decline and/or experience further volatility. Shareholders may not be able to sell their common shares at their preferred price because of lack of liquidity. Further decline and volatility may impair our ability to obtain capital through future equity offerings.

9. DISCLOSURE OF OUTSTANDING SHARE DATA

	Authorized	Issued as at August 25, 2008
Common Shares, Voting	Unlimited	69,709,257[1]
Preferred Shares	Unlimited	-
Stock Options – Issued and Outstanding		3,362,365
Warrants – Issued and Outstanding		7,994,186

[1] 1,666,667 Common Shares are subject to a performance escrow related to the purchase of HealtheNet. In May 2007, the Company granted 1,128,100 restricted common shares to certain officers related to the VantageMed Acquisition. These shares have restricted terms based on continued employment over a three year period. During last fiscal year the Company released 564,050 shares from restriction as part of the terms of the agreement related to the departure of one of the officers.

10. OUTLOOK

See "Cautionary Note Regarding Forward-Looking Statements"

Nightingale entered fiscal 2009 focused on improved financial performance, striving to achieve positive cash flow. The Company will work to drive continued revenue growth through its three key organic initiatives: increasing the number of healthcare practitioners on the Nightingale platform, leveraging its broad client base to cross-sell its products and introducing new revenue streams with the launch of patient-centric offerings. Throughout fiscal 2009, Nightingale will center its growth efforts on markets where there are industry catalysts and the Company has a strong presence, positioning itself as an end-to-end healthcare software solutions and service provider for outpatient clinics, hospitals, government and regional health organizations and patients.

On the cost front, while Nightingale realized a year-over-year and a sequential decrease in expenses for the quarter, the Company anticipates the need to invest in the business to support future growth expectations, particularly in sales and marketing. Over the long-term, Nightingale is committed to tightly controlling costs.

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 captive base of 13,000 healthcare practitioners and more than 5.3 million patients, positions the Company for continued success. The goal for fiscal 2009 is organic growth and positive cash flow, and Nightingale believes it has the right team and strategy in place to effectively execute.

11. ADDITIONAL INFORMATION

Additional information on Nightingale can be found at www.sedar.com under Nightingale Informatix Corporation. The Company is listed on the TSX Venture Exchange (TSX-V: NGH).