

## **MANAGEMENT DISCUSSION AND ANALYSIS**

(As of January 4, 2010)

To The Shareholders of Cinema Internet Networks Inc.:

### **OVERVIEW**

Cinema Internet Networks Inc. ("CinemaWorks") is a twenty-four year old public company *traded on the TSX Venture Exchange: (CWK::TSX.V)*. The Company was originally a hospitality pay-per-view operator in the United States and Canada. Since 2000, the Company has operated as a provider high-speed (broadband) Internet equipment and services company. Currently, the Company supports a legacy business of 8 hotels and provides over 1,000 high-speed connections to university residences.

During this quarter management continued work developing new business with high definition video conferencing and telepresence technology, Concurrently, management began seeking new 'green' business opportunities that complement the telepresence business in terms of cutting operating costs and reducing carbon footprints, as both of these are of key importance worldwide. Importantly, management required that new business opportunities must actively utilize the Internet, thereby staying within the Company's core business.

### *TELEPRESENCE*

As expected and predicted by management, Telepresence continues to expand into the mainstream and is being aggressively marketed by Cisco Systems, Hewlett Packard, LifeSize Communications, Polycom and Tandberg.

However, due to the continued erosion of the Company's core broadband business in hotels and university residences, management has not had the financial resources and personnel required to successfully develop a business that can compete with companies offering Telepresence along with other telecommunications services and equipment. Management expects to occasionally land enterprise contracts but 2009 has made it clear to management that a larger and potentially more profitable business opportunity must be found to drive shareholder value in the Company.

### **INDUSTRY STRATEGY**

In the first quarter of 2010, CinemaWorks will seek to expand its business opportunities with particular focus on the huge global business opportunities emerging in the field of energy efficiency. With management's business contacts, there may likely be a robust opportunity for the Company in this area, particularly with respect to increasing energy efficiency in large commercial buildings. In order to maximize the efficiency of the Company's personnel and financial resources, this new industry strategy may or may not include Telepresence.

### **OVERALL PERFORMANCE**

The Company's legacy broadband business continued to erode while its new Telepresence business failed to develop as expected.

**CINEMA INTERNET NETWORKS INC.**  
**QUARTERLY AND YEAR END REPORT - FORM 51-102F1**  
**JULY 31, 2009**

**SELECTED FINANCIAL INFORMATION (All figures in US dollars)**

<i>Years ended</i>	July 31, 2009	July 31, 2008	July 31, 2007
	<u>Annual</u>	<u>Annual</u>	<u>Annual</u>
<b>Operations:</b>			
<b>Revenues</b>	<b>\$ 287,461</b>	<b>\$ 299,190</b>	<b>\$ 452,526</b>
Gross profit	166,251	96,986	176,613
Consulting	141,582	157,769	176,041
Management fees	100,500	60,000	60,000
Professional fees	57,067	110,182	165,299
Interest – capital lease	-	1,438	6,015
Interest – long term debt	3,291	-	10,403
Stock based compensation		-	68,660
Write-off of prior years accounts payable	156,339	51,539	-
<b>Loss for the year</b>	<b>(72,786 )</b>	<b>\$ (416,290)</b>	<b>\$ (564,171)</b>
Average number of shares outstanding	41,886,395	33,385,133	24,210,009
			176,041
<b>As at Balance Sheet date</b>	July 31, 2009	July 31, 2008	July 31, 2007
Cash (bank indebtedness)	\$ 4,805	\$ 8,553	\$ 30,424
Receivables	20,519	21,804	31,845
Related party loan	35,500	35,500	-
Equipment	26,536	37,668	47,215
Accounts payable	532,130	651,170	680,856
Due to related parties (incl. in accounts payable)	29,048	78,990	62,764
Notes payable (current and long term)	-	-	26,171
Obligation to issue shares	-	-	129,510
Shareholders' deficiency	\$ (511,201)	\$ (590,638)	\$ (651,608)

**RESULTS OF OPERATIONS**

As at October 31, **2009**, the Company had installed its equipment and services in 8 hotels, resulting in revenues for the year of **\$287,461** (2008- \$299,190).

**Gross profit** % has increased to 57.8% of revenue (2008– 32.4%) as a result of the downsizing and cost cutting, making period over period comparison less comparable due to different volumes of business activity.

**Management fees** have been accrued for two managing directors, but administrative consulting has declined in an effort to conserve cash resources given the downturn in overall sales performance. **Professional fees** continue to be a significant cost reflective of the cost of maintaining a public company listing in today's regulatory environment, however, levels decreased from the previous year as the number and complexity of capital transactions was also down. **Stock based compensation was not awarded during the year.**

**CINEMA INTERNET NETWORKS INC.**  
**QUARTERLY AND YEAR END REPORT - FORM 51-102F1**  
**JULY 31, 2009**

The Company does not currently have an **investor relations** program.

**QUARTERLY FINANCIAL INFORMATION (All figures in US dollars)**

	<b>July 2009</b>	<b>April 2009</b>	<b>January 2009</b>	<b>October 2009</b>
<b>Operations:</b>				
Revenues	93,460	62,566	60,935	70,500
Gross profit	69,685	47,473	36,468	17,625
Income (loss)	(50,525)	(30,713)	(76,912)	(74,793)
<b>Balance sheet:</b>				
Cash	4,805	5,116	5,965	5,501
Property & equipment	26,536	25,475	29,025	32,932
Notes payable – L Term	\$ -	\$ -		

	<b>July 2008</b>	<b>April 2008</b>	<b>January 2008</b>	<b>October 2007</b>
<b>Operations:</b>				
Revenues	\$71,249	\$77,597	\$75,844	\$74,500
Gross profit	15,320	37,335	26,983	17,348
Income (loss)	(46,066)	(109,782)	(158,990)	(101,452)
<b>Balance sheet:</b>				
Cash	8,553	33,574	43,080	6,808
Property & equipment	37,668	50,818	45,427	56,555
Notes payable – L Term	\$	\$	\$--	-

Quarter over quarter variances are the result of an eroding business caused by the low cost of broadband services in hotels today, plus the desire of hotel operators to have new equipment and local service support.

The Company must find a business initiative to replace the lost revenues caused by the loss of its hotel Internet service contracts and the failure of Telepresence to provide this replacement revenue.

Quarter ended July 2009 vs 2008

The Company's net loss for the quarter of July **2009** (50,525) compared to 2008 (46,066) remained constant. Sales were higher in the same period mainly due to sale of equipment. Gross profit increased as a result of cutting costs and technical support expenses.

**LIQUIDITY**

The Company currently requires an average of approximately \$80,000 per quarter to cover general and administrative expenses, which at the current level of sales, is not being generated internally. This shortfall has placed the Company in a precarious position of whether or not it will continue to be listed and traded on the TSX Venture Exchange. Management has taken aggressive steps to see that the Company will survive. SEE SUBSEQUENT EVENTS.

**CINEMA INTERNET NETWORKS INC.**  
**QUARTERLY AND YEAR END REPORT - FORM 51-102F1**  
**JULY 31, 2009**

The Company's contractual obligations and payments due within the next five years are summarized below:

	<b>Notes payable</b>	<b>Capital lease</b>
Due within 1 year	Nil	\$45,667
Due years 2 and 3	Nil	Nil
Due years 4 and 5	Nil	Nil
Balance	Nil	Nil
Total obligations	Nil	\$45,667

**CAPITAL RESOURCES**

The Company does not have commitments for capital expenditures, but The Company depends upon the junior capital markets to raise equity and debt financing needed to fund its working capital requirements to the extent not generated internally. Its ability to continue to raise equity financing for any purpose, or course, remains subject to the general investment climate and investors' interest in supporting the Company's business objectives. No significant financial commitments exist beyond our working capital needs.

**OFF – BALANCE SHEET ARRANGEMENTS**

None

**RELATED PARTY TRANSACTIONS (All figures in US dollars)**

		<b>2009</b>	<b>2008</b>
		<u>(12 months)</u>	<u>(12 months)</u>
<b><i>For the period:</i></b>			
Management fees	(William Massey)	\$ 60,000	\$ 60,000
Consulting	(Moez Manji)	59,201	59,201
Interest expense	(William Massey)	-	-
Debt settled for issuance of shares	Massey / Manji	5651	96,243
		<b>July 31, 2009</b>	<b>July 31, 2008</b>
<b><i>As at balance sheet date:</i></b>			
Due to related parties, included in accounts payable		29,048	78,990
Loan to related party	(Moez Manji)	35,500	35,500
Notes payable		-	-
Obligation to issue shares	(William Massey)	\$ -	\$ -

Transactions with related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Management fees, wages and consulting arise from services provided to the Company in the conduct of its day-to-day business activities. Amounts owing for notes payable have resulted from the funding of Company operations at times when cash generated from operating activities was insufficient to meet ongoing obligations. Amounts due to related parties included in current liabilities resulted from bonuses accrued in the 2003 fiscal year and cash advances to the Company.

## **PROPOSED TRANSACTIONS**

None

## **CRITICAL ACCOUNTING ESTIMATES**

Revenue for the sale and installation of equipment is recognized when the title passes and the system is installed and operational. Revenue from the sale of services is recognized when the services are provided. Amounts received relating to future periods are recorded as customer deposits and are recognized when the services are provided.

## **CONTROLS AND PROCEDURES**

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted as part of the Company's continuous disclosure requirements is recorded, processed, summarized and reported, within the time periods specified by applicable regulatory authority. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure

## **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There have not been any changes in our internal control over financial reporting or any other factors during the year ended **July 31, 2009**, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

## **COMMITMENTS**

The Company entered into two management agreements with directors of the Company. The Company is required to pay \$5,000 and CDN\$5,000 per month commencing July 1, 2006 for a term of five years. In the event there is an acquisition of control of more than 20% of all the issued capital of the Company, each agreement can be terminated at the option of the director and the Company is required to pay compensation of \$120,000 and CDN\$120,000, respectively.

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, accounts receivable, investment, accounts payable and accrued liabilities, customer deposits, notes payable and obligation under capital lease. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company is exposed to credit risk only with respect to uncertainties as to the timing and amount of collectability of accounts receivable. The Company mitigates credit risk through standard credit and reference checks. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

## **SUBSEQUENT EVENTS**

1. Subsequent to July 31, 2009, the Company began developing potentially lucrative business opportunities in the Philippines, Hawaii, Mexico, Central America and New York. These opportunities are the extension and fulfillment of work done by current management beginning 2006 blending the use of Internet technology with electrical power sensing, monitoring and control. The result is a 'green' business opportunity that both cuts operating and maintenance costs by sensing and controlling local electrical networks and appliances (large HVAC units and chillers) in primarily large commercial buildings of various types.

**CINEMA INTERNET NETWORKS INC.**  
QUARTERLY AND YEAR END REPORT - FORM 51-102F1  
JULY 31, 2009

---

2. As at September 30<sup>th</sup> 2009 the Company complied with the Exchange requirements under the temporary measures which then ended to settle debt by way of shares valued at \$0.02 per share and warrants to arms length creditors in partial settlement of outstanding debt of \$371,379.