SIENNA GOLD INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS *(Canadian dollars).*

This Management's Discussion and Analysis of Financial Results has been prepared as at January 12, 2007 for the year ended September 30, 2006. The following discussion includes references to United States dollars and Canadian dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in Canadian dollars and United States dollars are referred to as US$.

The following discussion of the financial condition and results of operations of Sienna Gold Inc. should be read in conjunction with our consolidated financial statements as at and for the year ended September 30, 2006 and related notes. These financial statements have been prepared in accordance with Canadian generally accepted accounting principals. This section contains forward-looking statements that involve risks and uncertainties. Sienna Gold's actual results may differ materially from those discussed in forward-looking statements as a result of various factors, including those described under "Forward-Looking Information".

All references to "dollars" or "$" are in Canadian currency unless noted otherwise.

Forward-Looking Information

This management discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to Sienna Gold Inc. ("Sienna Gold" or the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such forward-looking statements relate to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and the availability of funding for the continued exploration of the Company's exploration properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

History and Corporate Structure

Sienna Gold Inc. was incorporated on July 28, 1987, as Vortex Energy & Minerals Ltd. under the Alberta Business Corporations Act. The name was changed on May 2, 2001 to Vortex Integrated Industrial Corporation and then to Sienna Gold Inc. on April 15, 2005. Sienna Gold Inc. is a holding company, and conducts its business in Peru through its wholly-owned subsidiary, Sienna Minerals S.A.C. a Peruvian company. Sienna's registered office is located at 3700 Canterra Tower 400 3rd Street S.W. Calgary, Alberta, Canada T2P 4H2 and its head office is located at Suite 820 - 840 7th Ave S. W. Calgary, Alberta, Canada, T2P 3G2. Sienna Minerals S.A.C. office is located at Jose Del Llano Zapata 332 Lima, Peru.

Overview

Since July 1, 2004, when the Company changed its focus from oil and gas to base and precious metals exploration, the following significant transactions have been completed. All of these transactions are described in detail in the Company's annual information form filed on Sedar in January of 2007.

July 27, 2005, the Company completed a prospectus financing for gross proceeds of $ 3,600,000.

June 30, 2005, the Company completed the acquisition of a 60% interest in a mineral property in Peru (the Igor concession).

June 30, 2005, the Company entered into an option to acquire a five year option on eight early stage exploration properties (the EMRC concessions) and exercised the Cerro Blanco option.

February 1, 2006, the Company completed a private placement of 928,000 common shares at $ 1.00 per share and 69,473 common shares at US$ 0.95 for gross proceeds of $ 1,004,626.

March 9, 2006, the Company acquired the remaining 40% of the Igor concession.

June 30, 2006, the Company terminated its option agreement with EMRC and simultaneously entered into a new option agreement regarding the Pachin Alto concessions. The Cerro Blanco option was dropped.

During the period from June 30, 2005 to date the Company has advanced the geological knowledge of the Igor and Pachin Alto concessions through surface sampling, Induced Polarization (IP) lines and drilling on the concessions. Assay results can be found in the Company's annual information form and press releases.

In November, 2006, the Company completed a prospectus filing for net proceeds of $ 3,648,464 through the issuance of 5,604,400 Units at a price of $ 0.70 per Unit. Each Unit comprised one common share and one half a common share purchase warrant. Each full common share purchase warrant is exercisable at a price of $ 0.90 per share until November 1, 2007, subject to the right of the Company to accelerate the expiry date in certain circumstances. The Agent was granted 392,308 options exercisable at $0.70 per Unit, as part of its agency fee, which expire November 1, 2007.

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Results of Operations

Selected Annual Information

The following table sets out selected annual financial information of Sienna Gold and is derived from the Company's audited consolidated financial statements for the periods ended September 30, 2006 and 2005.

	2006 $	2005 $
Revenue	Nil	Nil
Loss for the Period	(1,683,191)	(611,811)
Loss per Share - Basic and Diluted	(0.05)	(0.06)
Total Assets	6,469,906	3,503,401
Total Long-term Liabilities	37,498	34, 720
Dividends Declared	Nil	Nil

For the Year Ended September 30, 2006

The loss for the year ended September 30, 2006, increased by $ 1,071,380 over the loss for 2005 as a result of the following:

i. Write off of Mineral Properties in the amount of $ 577,452 resulting from the termination of the EMRC option and the Cerro Blanco option.

ii. Stock-based compensation increased by $ 63,828 as a result of stock options granted in July and December of 2005.

iii. Transfer, listing agent fees and shareholder communications increased by $ 143,300 as follows;

   a. Attendance at conferences increased by $ 68,000 as a result of the Company attending investment conferences during the year. The Company did not attend any conferences during 2005.

   b. Press releases increased by $ 18,000

   c. Printing increased by $ 48,000.

iv. The cost of the Company's premises has increased by $ 16,598 as the Company's Peruvian subsidiary began operation in the fourth quarter of 2005.

v. Interest payable has been eliminated in 2006 as notes payable were settled in June 2005 for the issuance of the common shares of the capital of the Company.

vi. Depreciation increased by $ 6,987 as the office furniture and fixtures for the Lima, Peru office were acquired during the fourth quarter of 2005.

vii. Administrative expenses have increased by $ 498,338 as a result of the following:

   - President's remuneration increased by $ 90,000
   - Travel and entertainment increased by $ 55,900 resulting from travel to Lima, Peru, and attendance at investment conferences in Toronto, New York and Calgary.
   - Professional fees have increased $ 51,900 resulting from the fact that in 2005 the Company was suspended from trading and prior to June 2005 was substantially inactive.
   - Lima office costs increased by $ 202,700 mostly through greater activity and the fact that the Company only became active in Peru in the fourth quarter of 2005.

Mineral Property Expenditures

During the year ended September 30, 2006 the Company incurred cash expenditures on its mineral properties of $ 1,452,618 (2005 - $ 290,722). The Company acquired certain property interests during the year for cash of $ 515,911 and issued 2,550,000 common share valued at $ 2,167,500 (2005 – cash $1,838,955 and issued 2,100,000 common shares valued at $ 410,000) as consideration for certain property interests. During the year a portion of the EMRC concessions were abandoned resulting in a write-off of $ 577,452.

IGOR Concession (Peru)

The Company completed the purchase of the remaining 40% of the IGOR concession in March of 2006 for US$ 300,000 (Cdn$ 346,486) and 2,550,000 common shares valued at $ 2,167,500. In addition, the Company spent $ 1,188,957 in deferred exploration costs furthering the Company's knowledge of the geology of the concession.

During the past year, the Company completed 500 meters of channel sampling, 500 hectares of geological mapping, 16 kilometers of ground-based, induced polarization geophysical surveying and 1750 meters of diamond drilling. Given the very rugged terrain of the Igor concession, the Company maintained a crew of 20 local employees to develop the road access and assist with the sampling and mapping. This program has narrowed the exploration search to the following targets:

(i) El Domo Manto Zone, a gold/silver prospect.

The exploration program demonstrated that gold and silver mineralization are often present in mineable grades when a feeder system (vein, pebble dyke, etc.) intersects the axial area of a significant anticlinal fold. This type of event resulted in mineralization in the Tesoros saddle reef / mantos. These tectonic conditions also resulted in mineralization at the top of the dome on the Igor Concession which is clearly evident in the extensive artesanal workings. Early sampling by the Company resulted in the collection of 59 samples in the Dome area with average grades of 12.1 grams per tonne (“gpt”) gold and 103.8 gpt silver. It appears that three saddle reef / mantos are contained within a 30 to 50 meter thick package of sedimentary rocks – limited sampling of which suggests gold assays in the 0.5 to 0.8 gpt range. Preliminary mapping shows that the manto zone extends over an area of 700 meters by 100 meters. A wide trail has been constructed so that a small drill rig can be carried to the top of the dome to obtain more detailed geological information in the upcoming drill program.

Subsequent sampling programs acquired 660 channel samples from artesanal workings in the zone. The weighted average assay results for all the samples was 8.1 gpt of gold and 189 gpt of silver. All of the samples were mapped as being from the manto (ore) zone or the interbed (“waste”) zone. The 292 samples of interbed material averaged 6.7 gpt of gold and 192 gpt of silver while the 368 samples of manto material averaged 9.3 gpt of gold and 186 gpt of silver.

(ii) Intrusive Porphyry Zone, a copper/zinc prospect.

Detailed mapping and sampling throughout the Igor concession showed the existence of a widespread porphyry intrusive body at the Igor concession. The intrusive material is ubiquitous with fracturing and faulting and every sample analyzed contained anomalous mineralization primarily of lead and zinc with lesser amounts of copper. Based on the geological mapping of the property a mineralized intrusive porphyry model was proposed together with an exploration program to confirm the model. This model is consistent with porphyry models of other deposits in northern Peru such as Cerro Corona.

During May and June 2006, the Company undertook a geophysical program consisting of eight induced polarization ("IP") lines averaging 2.5 kilometers in length. The results conclusively identify a chargeability anomaly (probably resulting from disseminated sulphides) which extends for the full length of the uplifted dome. Due to the difficult terrain, some of the lines were not completed and so the anomaly is open in many directions. The IP anomaly may, in fact, form a "donut" around the dome indicating that the center of the anomaly is below the dome. A second phase exploration program, based on the final geophysical report, will test this hypothesis.

The Company was able to confirm that the porphyry zone contributed to the IP anomaly by reorienting the final two holes of the Tesoros drill campaign to test a lower IP response at the edge of the anomaly. The holes both returned disseminated sulphide mineralization throughout the core with significant values of zinc and lead. There were a few meters of significant gold and silver mineralization that is interpreted as a vein system coming through the porphyry material.

Both holes strongly suggest the existence of the mineralized porphyry intrusive and feeder veins that bring mineralization to the system. Based on the drilling and geophysics, the Igor concession model was modified to suggest that the drilling intersected the upper pyrite shell of large, underlying porphyry intrusive.

The Igor concession was also recently visited by Dr. Warren Pratt, a respected porphyry specialist, of Specialized Geological Mapping. Dr. Pratt concluded;

> *"I interpret the mantos in the anticline hinge and the Tesoros Zone as mineralised structures on the periphery of, or above, a porphyry copper-gold deposit. The high zinc, lead, silver, arsenic and antimony values are consistent with such a setting."*

Dr. Pratt also suggested a number of additional low cost, exploration procedures to identify with greater precision the location, angle and depth of drill holes to test the center of the porphyry zone. These procedures will be undertaken prior to drilling the porphyry zone, to ensure that exploration moneys are optimally used.

(iii) Potochuelo/Callanquitas Transition Zone, a gold/silver prospect.

In the Portochuelo/Callanquitas area of the concession a large porphyry intrusion has been mapped on outcrop coincident with one of the significant IP anomalies. However, there is also evidence of the Chimu–Santa transition zone associated with anticlinal folding as described above. Artesanal workings occur at the junction of a breccia within the transition zone which is associated with a large fault system. Samples collected over the mineralized breccia zone (3 to 5 meters wide) had average gold and silver values of 2.8 gpt and 41.6 gpt respectively.

The Company will complete the sampling and mapping of this structure and will drill the area as part of the Intrusive Porphyry Zone drilling program.

(iv) Tesoros Fault and Breccia Zone, a gold/silver prospect

The Tesoros fault zone contains an epithermal, high sulfidation mineralized deposit hosted in a breccia zone. The zone contains occurrences of high grade mineralization. The drill program has shown that the breccia zone was cut off by the transverse fault and the boiling zone of the hydrothermal fluids did not extend below the 3,100 meter elevation. As a result, this area of the concession did not meet the Company's tonnage thresholds and a resource estimate has not been made.

The initial primary zone of interest to the Company was the Tesoros breccia zone and the Igor concession was optioned with a view to drilling this area to test the potential for bulk mining. When the mapping and sampling of the tunnels and available outcrops in the area was completed a drill program was undertaken.

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It was known that the breccia reached widths of 50 meters in the area previously mined and it was conjectured that the widths increased to 70 meters in the lower part of the breccia zone based on the sampling and mapping completed in the lower elevation workings. Although mineralization in this breccia extended to a northwest trending fault that bisected the Igor concession anticline, there was no evidence that it continued to the north of this fault. Based on these facts a drill program was designed with the following priorities;

- Confirm the high grades of gold and silver found in the tunnels
- Determine the width of the mineralized breccia zone at all elevations

Total cost of the above is estimated to be US$ 977,500 with infill drilling of US$ 1,562,000 should the preliminary results justify the additional drilling.

The Company has also followed an aggressive campaign of local involvement and communications to ensure that the social “contract” with the local community is positive and based on a correct understanding of the exploration/mine development process. This effort has involved strategic donations to local institutions (school and medical post), contributions to community events, formalizing of land ownership and sponsorship of a sustainable economic development workshop.

Pachin Alto Concession (EMRC) (Peru)

An early stage exploration property, the Pachin Alto concessions comprise nine mining concessions located in the province of Otuzco in the Department of La Libertad, approximately 105 kilometers by road from the coastal city of Trujillo.

The property, comprising 6,000 hectares of land in the Alto Chicama high sulfidation corridor, has been mapped, surface sampled and tested with induced polarization geophysics. Geophysical studies, undertaken in May 2006, included 9.3 kilometers of IP at both 25 and 100 meter dipole centers.

The titleholders of the Pachin Alto property and EMRC entered into several mining lease and option agreements ("Underlying Agreements") pursuant to which the titleholders granted EMRC the right to carry out mining exploration and exploitation activities in the area of each of the nine mining concessions that comprise the Pachin Alto project.

By agreements dated June 30, 2006, EMRC assigned its rights and obligations under the Underlying Agreements in favor of Sociedad Minera de Responsabilidad Limitada NorteAmerica XXI ("SMRL NorteAmerica") a Peruvian private company controlled by EMRC. On the same date, the Company entered into an agreement with SMRL NorteAmerica pursuant to which SMRL NorteAmerica assigned its rights and obligations under the Underlying Agreements in favor of the Company.

As compensation for the assignment the Company made an initial payment on June 30, 2006 of US$150,000 (Cdn$ 169,425) in favour of SMRL NorteAmerica and is obligated to make the monthly payments listed below with respect to the Pachin Alto Concession for a period of five years beginning August 15, 2007.

Monthly Cash Payments (US$), beginning August 15, 2007

Years 1	**Year 2**	**Year 3**	**Year 4**
50,833.33	45,750.00	66,083.33	91,500.00

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In the event the Company initiates commercial production within the Pachin Alto Concessions, the Company will also be obligated to pay SMRL NorteAmerica a 1.5% net smelter return royalty.

The Company is also responsible for licence fee and penalty payments (Derecho de Vigencia) applicable to the Pachin Alto concessions. These license fees and penalties approximate US$ 18,000 (Cdn$ 20,160) and US$ 87,000 (Cdn$ 97,440) for 2006 respectively. The penalty portion is reduced by US$ 1.00 for every US$ 10.00 expended in exploration expenses incurred on the property in the preceding year or production from the property.

In addition to the monthly payments to SMRL NorteAmerica detailed above and the 1.5% net smelter return royalty payable to SMRL NorteAmerica, the Company must also assume the obligation to the titleholders, including monthly payments and an additional net smelter return royalty payable to the titleholders ranging from 1.0% to 2.0%. The total net smelter return royalty payable to SMRL NorteAmerica and the titleholders ranges from 2.7% to 3.5% and is detailed below.

Concession Name	Monthly Payment (US$)	NSR (In favour of the Titleholder)	NSR (In favor of SMRL NorteAmerica)	Total NSR
Jose Luis	333.33	1.0%	1.5%	2.5%
Jose Luis 2	333.33	1.0%	1.5%	2.5%
Jose Luis 3	333.33	2.0%	1.5%	3.5%
Acumulacion Juana	400.00	1.2%	1.5%	2.7%
Julia MP	400.00	1.2%	1.5%	2.7%
La Natalia	400.00	1.2%	1.5%	2.7%
Urpi	400.00	1.2%	1.5%	2.7%
La Noemia	400.00	1.2%	1.5%	2.7%
Edelmira	400.00	1.2%	1.5%	2.7%
Total	3,399.99			

The Company expects to receive the permit to prepare up to 20 drill platforms and test the silicified sulphide mineralization that was identified by the geophysical program by the end of January 2007. A diamond drill rig will be mobilized to the site to test the high resistivity-high conductivity geophysical anomaly defined by the prior induced polarization study. The drill holes will be between 150 and 300 meters in depth and the first five holes will test the limits of the target. The Company also plans to extend the geophysical survey and complete a soil geochemistry grid in the area to identify the potential for additional drill targets.

The anticipated program cost for 2007 is US$ 360,000.

Buena Fortuna Concession (Peru)

The Buena Fortuna concession comprising 2,500 hectares was staked by the Company in April 2006. The prospective nature of the land was identified during a trip to evaluate one of the properties included in the EMRC Concession and is located well outside the area of influence.

Two sampling and mapping campaigns have been undertaken on the Buena Fortuna concession to date and only a very small portion of the concession has been explored. The Company has purchased satellite photos of the area and is currently awaiting delivery and interpretation of the photos.

A decision on additional work to be undertaken on this property will be made after the evaluation of the existing data has been received.

The estimate of expenditures to be incurred on this property during 2007 is US$ 100,000.

Mineral Exploration Risks and Factors

Exploration Risks

Exploration for minerals is speculative in nature, involves many risks and is frequently unsuccessful. All of the properties in which the Company has an interest or right are in the exploration stage only and are without established mineral resources or reserves. There can be no assurance that current, proposed or future exploration and development programs on properties in which the Company has an interest will result in the discovery of minerals mineralization or a profitable commercial mining operation. The commercial viability of a mineral deposit is dependent on a number of factors including the price of the related minerals, exchange rates, the particular attributes of the deposit, such as its size, grade and proximity to infrastructure, as well as other factors including financing costs, taxation, royalties, land tenure, land use, water use, power use, importing and exporting gold and environmental protection.

Calculation of Resources, Conversion to Reserves and Metal Recovery

The Company currently has no mineral reserves. There is a degree of uncertainty attributable to the calculation of mineral resources and the degree to which mineral resources may ultimately prove to be convertible to mineral reserves, if at all. Until mineral resources are converted to mineral reserves and actually mined and processed, the quantity of mineral reserves and grades must be considered as estimates only. In addition, the quantity of mineral reserves and resources usually varies depending on metal prices. In addition, there can be no assurance that mineral recoveries in small-scale laboratory tests will be duplicated in large tests under on-site conditions or during production.

Lack of Cash Flow and Requirements for New Capital

The Company's current operations do not generate any positive cash flow and it is not anticipated that any positive cash flow will be generated for some time. The Company has limited financial resources and licenses which the Company holds and agreements to which the Company is a party impose financial obligations to the Company. There can be no assurance that additional funding will be available to allow the Company to fulfill such obligations. Failure to fulfill such obligations could result in the loss of some or all of the Company's property. Further exploration and development of the various mineral properties in which the Company holds interests depends upon the Company's ability to obtain financing through the joint venturing of projects, debt financing, equity financing or other means. The location of the mineral properties in which the Company holds interests are in developing countries and may make it more difficult, or impossible, for the Company to obtain debt financing from senior lenders. Financing through the sale of equity securities or securities converted into equity securities could result in substantial dilution. Failure to obtain additional financing on a timely basis could cause the Company to forfeit all or parts of its interests in some or all of its properties or joint ventures and reduce or terminate its operations.

Title Matters

The Company has investigated its rights to explore its various resource properties in Peru and, to the best of its knowledge, those rights are in good standing. No assurance can be given that a government will not significantly alter the conditions or revoke the applicable exploration or mining authorizations or that such exploration or mining authorizations will not be challenged or impugned by third parties. In addition, there can be no assurance that the properties in which the Company has an interest are not subject to prior unregistered agreements, transfers or claims and title may be affected by undetected defects. Concessions in which the Company has an interest may be cancelled if applicable fees or penalties are not paid.

Surface Rights

The Company will be required to enter into agreements with local land owners in order to put a property into production. The Company has had initial contact with 94 surface rights owners at its Igor concession, but no agreements have been finalized. There can be no assurances that such agreements will be obtainable on acceptable terms, in a timely manner or at all.

Properties in Peru

The Company's property interests and exploration activities are located in Peru and are subject to that jurisdiction's laws and regulations. The Company believes the present attitude of Peru to foreign investment and mining to be favourable, but investors should assess the political and economic risks associated with investing in a foreign country. Any variation from the current regulatory, economic, political and social climate including those relating to taxation, royalties, imports, exports, duties and currency, delays in obtaining or the inability to obtain necessary governmental permits, currency fluctuations, restrictions on the ability of local operating companies to sell gold offshore for U.S. dollars, and on the ability of such companies to hold U.S. dollars or other foreign currencies in offshore bank accounts, import and export regulations, including restrictions on the export of gold, and limitations on the repatriation of earnings could have an adverse effect on the affairs of the Company.

As a result of the Company's assets being located in Peru, there may be difficulties in enforcing against the Company judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities legislation for a misrepresentation contained in this disclosure or otherwise. In particular, it may be practically impossible to enforce foreign court judgments against the Company in Peru.

Operating Hazards and Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Foreign Countries and Regulatory Requirements

Mineral exploration and mining activities may be affected in varying degrees by political instability, civil disturbance and government regulations relating to the mining industry and foreign investors therein. There is no assurance that the political and investment climate of foreign countries will be favourable. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation, environmental legislation or mine safety. The developing country status of Peru or political climate of other neighbouring countries may make it more difficult for the Company to obtain further financing for exploration and any required project financing from senior lending institutions because such lending institutions may not be willing to finance projects in these countries due to the possible investment risk.

For more information on the Company’s properties, see the independent technical reports and the annual information form filed on SEDAR.

Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of Sienna Gold and is derived from unaudited quarterly consolidated financial statements prepared by management. The Company's interim consolidated financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles in Canada and expressed in Canadian dollars.

Period	Revenues	Loss For The Period	Basic and Fully-Diluted (Loss) per Share
		$	$
4th Quarter 2006	Nil	(252,523)	(0.01)
3rd Quarter 2006	Nil	(795,986)	(0.03)
2nd Quarter 2006	Nil	(362,161)	(0.01)
1st Quarter 2006	Nil	(272,521)	(0.01)
4th Quarter 2005	Nil	(244,997)	(0.02)
3rd Quarter 2005	Nil	(132,232)	(0.03)
2nd Quarter 2005	Nil	(86,652)	(0.02)
1st Quarter 2005	Nil	(147,930)	(0.03)

During the three months ended September 30, 2006, the Company incurred US$ 403,699 in deferred exploration costs, exploring and maintaining its properties in Peru. In addition, the Company extended its lease on the office in Peru for an additional one year term.

4th Quarter of 2006 loss increased over the 4th Quarter of 2005 as a result of:

a) increase in the President's remuneration of $ 22,500,
b) a reduction in the Stock-based compensation of $ 35,894,
c) a $ 17,375 reduction in interest expense on notes payable settled in 2005.

3rd Quarter of 2006 loss increased over the 3rd Quarter of 2005 as a result of:

a) President's remuneration increased $ 22,500
b) Write off of mineral properties of $ 577,452
c) Stock-based compensation increase of $ 40,252
d) Reduction of interest expense of $ 9,162
e) Travel and entertainment increased by $ 18,811 as the Company was inactive during the third quarter of 2005.
f) Professional fees reduced by $ 13,578, as the third quarter of 2005 included the work required to reinstate the Company's listing on the stock exchange.

4th Quarter 2005 includes Stock-based compensation of $ 124,459. Without this item, the administrative costs of the Company during the period were $ 77,592. Administrative costs increased over the prior quarter due to expenses associated with the Company's acquisition of properties in Peru and the related activity which resulted.

3rd Quarter 2005 the administrative costs were $ 132,232. Costs increased from the prior quarter due to increased activity related to the acquisition of the Company's properties in Peru and the issuance of the prospectus during the quarter.

2nd Quarter 2005 the administrative costs were $ 86,652.

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Liquidity

The Company had cash and cash equivalents of $ 71,838 at September 30, 2006 as compared with $ 856,292 at September 30, 2005.

The Company had a working capital (deficit) surplus of ($ 563,486) and $ 714,745 as at September 30, 2006 and September 30, 2005, respectively.

On October 31 and November 28, 2006, the Company completed a best efforts agency short form prospectus offering and issued 5,604,400 units at a price of $ 0.70 per unit for net proceeds of $ 3,648,464. Each unit consists of one common share and one-half of a common share purchase warrant. Each whole common share purchase unit entitles the holder to purchase one common share at a price of $ 0.90 per share until November 1, 2007 after the closing subject to the rights of the Company to accelerate the expiry date in certain circumstances. In addition the agent was granted 392,308 units as a portion of its agency fee.

In summary the Company anticipates that its working capital on September 30, 2007 will be approximately as follows:

Working capital deficiency September 30, 2006		$ (563,486)
November 2006 prospectus offering net of estimated costs		3,348,464
		2,784,978
Exploration expenses budgeted (1.00 US$ = 1.12 Cdn$)		
IGOR (US$ 977,500)	$ (1,117,200)	
Pachin Alto (US$ 360,000)	(403,200)	
Buena Fortuna (US$ 100,000)	(112,000)	(1,632,400)
General and administrative expenses		(800,000)
Estimated working capital September 30, 2007		$ 352,578

At January 10, 2007, the Company has outstanding 5,587,750 (September 30, 2006 – 5,607,750) common share purchase warrants, and 200,000 agent options, resulting from the June 15, 2005 public placement of units. These warrants and options are exercisable at $0.40 per share on or before June 27, 2007 and if exercised will provide proceeds to the Company of $ 2,335,100.

In addition, the Company has outstanding 2,802,200 common share purchase warrants and 392,308 agents options resulting from the October 16, 2006 public placement of units. These warrants and options are exercisable at $0.90 per share on or before November 1, 2007 and if exercised, will provide to the Company gross proceeds of $2,973,134.

Sienna has historically financed its operations primarily through the sale of common share equity. It is expected that the financing needs of the Company in the immediate future will continue to be from the issuance of Common share equity of the Company. Future financing requirements may be satisfied through the issuance of debt securities upon attainment of certain conditions acceptable to lenders, through the receipt of proceeds from the sale of certain of the Company's mineral properties or the attainment of profitable mining operations. Factors that could affect the availability of financing include Sienna's performance (as measured by various factors including the progress and results of its exploration work), the state of international debt and equity markets, investor perceptions and expectations of past and future performance, the state of the world precious and base metal markets, the global financial climate, and drilling and metallurgical testing results from the Sienna concessions and the status of options on concessions.

Capital Resources

The Company had a working capital deficiency of \$ 563,486 as of September 30, 2006 but raised additional capital subsequent to the year end in the amount of \$ 3,923,080 resulting in net proceeds to the Company of \$3,648,464.

The Company's budget for the year ended September 30, 2007, is \$ 2,432,400 comprised of \$ 1,632,400 exploration and \$ 800,000 general and administrative costs. As there are no commitments to expend any amount on the concessions, resulting from the Company acquiring 100% of the Igor concession, the Company has the funds necessary to complete the next phase of the exploration on the Igor, Pachin Alto and Buena Fortuna concessions.

As indicated above, the Company may receive an additional \$ 2,235,100 prior to June 27, 2007 in the event all the warrants and agents options are exercised pursuant to the July 15, 2005 public offering and \$ 2,973,134 prior to November 1, 2007 pursuant to the October 16, 2006 public offering.

Foreign Currency Exchange Rate Risk

All of Sienna Gold's activities are located in Peru, with the exception of a small administrative office in Canada. A large percentage of the Company's expenditures are incurred in United States dollars and therefore, costs estimated in Canadian dollars could increase or decrease accordingly. Sienna Gold's future profitability could be affected by fluctuations in foreign currencies relative to the United States dollar and Canadian dollar. Sienna Gold has not entered into any foreign currency contracts or other derivatives to establish a foreign currency protection program.

Litigation, Claims and Assessment

Except as described below, the Company is not aware of any material claims or potential claims against it. The Company is not party to any litigation and is not aware of any threatened litigation. The Company has received a letter advising that a party claiming to have received an interest in the Igor concession from a previous owner is threatening litigation unless she is compensated. The Company's Peruvian counsel advises that her interest was not registered at the time Sienna obtained title and therefore, she is unable to attack Sienna's title.

Forward Sales, Options and Other Commitments (including Off-Balance Sheet Arrangements)

The Company has no forward sales, option contracts, or other off balance sheet arrangements. In addition, the Company has no material commitments for expenditures other than office leases which do not extend beyond one year. All payments, license fees etc. payable with respect to the mineral properties expire if the property is abandoned.

Related Party Transactions

During the period the Company was completing its 2006 public offering the President and CEO of the Company together with a shareholder of the Company provided financial assistance to the Company in the amount of \$ 70,000 and \$ 100,000, respectively. Subsequent to the year end the advances were repaid out of the proceeds of the public offering and the Company issued 10,000 and 14,265 common shares of the Company valued at \$0.70 per share as compensation for the advances.

During the year, the President and CEO was paid \$ 120,000 (2005 - \$ 30,000) for management services provided, a director was paid \$ 34,200 (2005 – Nil) for engineering and other services, and a law firm of which a director is a partner was paid \$ 39,590 (2005 - \$ 90,342). The balance owing to directors at September 30, 2006 was \$ 70,000 (2005 - \$ 5,132).

During 2005, the President and CEO of the Company provided a portion of the financing required by the Company to maintain its option to acquire the Peruvian properties and was compensated for providing this bridge financing through the issuance of 16,447 common shares of the Company.

Critical Accounting Estimates

Capitalization and Impairment of Mineral Properties

The investment in and expenditures on resource properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the attainment of successful production from the properties or from the proceeds of their disposal.

The recognized amounts of such items are based on the Company's best information and judgment. Such amounts may change materially in the future as management continues to gather information.

Based on periodic reviews made by management and where the long-term expectation is that the net carrying amount of these capitalized exploration and development costs will not be recovered, the carrying amount is then written down accordingly and the write-down amount charged to operations.

A write down would be indicated where:

Producing properties:
- the carrying amounts of the capitalized costs exceed the related undiscounted net cash flows of reserves.

Exploration properties:
- exploration activities have ceased;
- exploration results are not promising such that exploration will not be planned for the foreseeable future;
- lease ownership rights expire; or
- insufficient funding is available to complete the exploration program.

Stock-based Compensation

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments" requires fair value accounting for all stock options issued during the year. When determining the volatility factor and length of options for its stock-based compensation assumptions, management of the Company is required to make estimates for the future volatility of its shares and the length of time stock options will remain unexercised. Management has used volatility assumptions based upon historical volatility of a basket of mining exploration companies because Sienna Gold was not publicly traded prior to July 2005. In addition, management has assumed that 100% of the options will be exercised and will remain unexercised until immediately prior to their expiry date. These assumptions may not necessarily be an accurate indicator of future volatility.

Asset Retirement Obligations

The CICA Handbook Section 3110, Asset Retirement Obligation requires recognition of a legal liability for obligations relating to retirement of property, plant, and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement cost must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Canadian dollars).

Outstanding Share Data

The Company's outstanding share data as at January 10, 2007 and September 30, 2006 is as follows:

	January 10, 2007	September 30, 2006
Common shares	37,639,725	31,991,060
Common share purchase		
• Warrants (Note 1)		
- June 15, 2005 offering	5,587,750	5,607,750
- October 16, 2006 offering	2,802,200	Nil
Other Convertible Securities		
• Agents options (Note 2)		
- June 15, 2005 offering	200,000	200,000
- October 16, 2006 offering	392,308	Nil
• Warrants attached to agents options (Note 2)		
- June 15, 2005 offering		
- October 16, 2006 offering	100,000	100,000
	196,154	Nil
Stock Options (Note 3)	2,060,000	2,060,000
Fully Diluted Shares	48,978,137	39,958,810

Notes:

1) The June 15, 2005 warrants are exercisable at $ 0.40 per share and expire on June 27, 2007.

   The October 16, 2006 warrants are exercisable at $ 0.90 per share, expire on November 1, 2007 and are subject to the Company's right to accelerate the expiry date in certain circumstances.

2) The June 15, 2005 agents options entitle the holder to purchase units at $ 0.30 per unit. Each unit consists of one Common Share and one-half a common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share for $ 0.40 per share. The agents options and related common share purchase warrants expire on June 27, 2007.

   The October 16, 2006 agents options entitle the holder to purchase units at $ 0.70 per unit. Each unit consists of one common share and one-half a common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share for $0.90 per share. The agents options and related common share purchase warrants expire on November 1, 2007.

3) Stock options outstanding are exercisable at prices ranging from $ 0.30 to $1.15 per share and expire on dates ranging from June 30, 2010 to December 31, 2010. As of December 21, 2006 all stock options granted have vested.

Multilateral Instrument 52-109 Disclosure

Evaluation of Disclosure Controls and Procedures

Disclosure control and procedures are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management.

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of September 30, 2006 and have concluded that they are adequate and effective to ensure accurate and complete disclosure.

Internal controls over financial reporting

The Chief Executive Officer and Chief Financial Officer of Sienna Gold are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Sienna Gold management has assessed the design of internal controls over financial reporting. During this process, certain material weaknesses in internal controls over financial reporting were identified as follows:

- Due to the limited number of staff at Sienna Gold, it is not economically feasible to achieve complete segregation of incompatible duties. Sienna Gold has operations in two countries and currently has six full-time and two part-time employees.
- Sienna Gold does not have a sufficient number of finance personnel, with all of the technical accounting knowledge, to address all complex and non-routine accounting transactions that may arise.
- Many of Sienna Gold's information systems are subject to general control deficiencies including a lack of effective controls over spreadsheets, access and documentation.

These weaknesses in internal controls over financial reporting result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of material misstatement, however we do not have reasonable assurance that this risk can be reduced to a remote likelihood of a material misstatement. Sienna Gold currently has no plans to remediate these weaknesses.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Canadian dollars).

Additional Disclosure

General and Administrative Expenses	September 30, 2006	September 30, 2005
	$	$
Lima, Peru – office costs	274,691	34,357
Professional fees	181,136	111,769
Administration fees	120,000	30,000
Travel and entertainment	64,736	21,745
Prior years interest expense reversed	Nil	(24,335)
Office and other costs	36,002	4,691
Total general and administrative costs	676,565	178,227

Deferred Exploration Costs by property:	September 30, 2006	September 30, 2005
	$	$
Igor concession	1,188,957	273,661
Pachin Alto (EMRC) concessions	147,876	17,061
Buena Fortuna concession	15,959	Nil
	1,352,792	290,722

Additional Sources of Information

Additional sources of information regarding Sienna Gold Inc. can be found in the Company's annual information form and annual proxy statement filed on SEDAR at www.sedar.com. and on the Company's web site at www.siennagold.com.