

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 26, 2009 for the year ended September 30, 2008. 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, 2008 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" 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 Call El Rosario 359, B Minaflores, Lima, Peru.

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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 or in this document.

June 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). On March 9, 2006, the Company acquired the remaining 40% of 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.

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 and on November 15, 2007 the Pachin Alto concessions were 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 \$ 3,448,464 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. On October 2, 2007, the expiry date was extended to November 1, 2008. On November 1, 2008, the warrants issued pursuant to the October 15, 2006 prospectus offering expired unexercised. The Agent was granted 392,308 options exercisable at \$0.70 per Unit, as part of its agency fee. The options expired in November 2007, 143,605 units were exercised and 248,703 expired unexercised.

On July 24, 2007, Sienna entered into an agreement with the shareholder of Sociedad Minera Pele S.A.C. ("Pele"), a Peruvian company. Pele owns 3,200 hectares of exploration land in the Department of La Libertad in the Province of Otuzco. The agreement provides a thirty-six month option for Sienna to acquire 65% of the shares of Pele for a total of US\$ 5.00 provided Sienna has incurred US\$ 400,000 of exploration expenses on the Pele concessions. Sienna also has the option to acquire the remaining 35% for US\$ 500,000 for a twenty-four month period commencing with the exercise of the option on the first 65%. In the event Sienna exercises its right to acquire 100% of the shares of Pele, Sienna will cause Pele to grant to the shareholder of Pele a 0.5% Net Smelter Return Royalty ("NSR Royalty").

In December 2007 the Company dropped its option to purchase the Pachin Alto concessions and in September 2008 the "La Borrachera" concession was staked. This area was visited by 3 company geologists and shows indications of high sulphidation gold mineralization. It is a grass roots play and very little work has been done on it to-date.

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Igor continues to be an exciting property with drill indicated resources and the proven occurrence of a gold/copper porphyry system. The Company has completed a widespread exploration drill program and is currently defining and obtaining approvals for a follow-up program to define the size and nature of the porphyry and to add resources to the Domo and Tesoros zones. It is anticipated that this next phase of drilling will commence subject to financing in the final quarter of the 2009 fiscal year.

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, 2008, 2007 and 2006.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$
Revenue	Nil	Nil	Nil
Interest Income	29,123	69,349	10,740
Loss for the Period	1,361,697	2,807,470	1,683,191
Loss per Share - Basic and Diluted	0.03	0.07	0.05
Total Assets	9,188,518	9,376,993	6,469,906
Total Long-term Liabilities	9,445	23,328	37,498
Dividends Declared	Nil	Nil	Nil

For the Year Ended September 30, 2008

The loss for the year ended September 30, 2008, decreased by \$ 1,445,773 over the loss for 2007. The major items causing this decrease are as follows:

- write off of mineral properties in the amount of \$ 93,432 as compared to a write-off in 2007 of \$ 1,379,809 resulting from the abandonment of the Pachin Alto concessions in 2007,
- stock-based compensation decreased by \$ 107,924 as a result of fewer stock options being granted in the current year,
- transfer, listing agent fees and shareholder communications decreased by \$ 48,262. The major items causing this decrease are approximately as follows:
 - attendance at conferences decreased by \$ 20,700 as a result of the Company attending fewer investment conferences during the year,
 - consulting fees decreased by \$ 30,000 resulting from the termination of an investor relations contract,
 - transfer agent fees decreased by \$ 7,100 resulting from less financing activity, and
 - printing and mailing increased by \$ 11,000
- interest expense decreased by \$ 16,986 resulting from the settlement of advances made by a director and a shareholder in 2007,
- interest income decreased by \$ 40,226,
- administrative expenses decreased by \$ 109,179. The major items causing this decrease are approximately as follows:
 - the bonus of \$ 75,000 paid to the president in 2007 and director fees increased by \$3,000,
 - salaries and benefits increased by \$ 23,400 due to increased staff and general market conditions,
 - travel and entertainment increased by \$ 9,800,
 - professional fees decreased \$ 47,900 resulting from reduced audit and legal fees, and
 - Lima office costs decreased by \$ 22,400 resulting from the Company incurring lesser employer benefit costs, insurance and travel in 2008.

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For the Year Ended September 30, 2007

The loss for the year ended September 30, 2007, increased by \$ 1,124,279 over the loss for 2006. The major items causing this increase are as follows:

- write off of mineral properties in the amount of \$ 1,379,809 (2006 - \$ 577,452) resulting from the abandonment of the Pachin Alto concessions,
- stock-based compensation increased by \$ 273,113 as a result of stock options granted in January of 2007,
- transfer, listing agent fees and shareholder communications decreased by \$ 50,621. The major items causing this decrease are approximately as follows:
 - attendance at conferences decreased by \$ 26,000 as a result of the Company attending fewer investment conferences during the year,
 - consulting fees increased by \$ 45,000 resulting from the contracting of an investor relations consultant,
 - press releases and stock exchange fees decreased by \$ 13,000, and
 - printing decreased by \$ 50,000 as the Company's letterhead and website were designed during 2006,
- interest expense increased by \$ 16,986 resulting from advances made by a director and a shareholder,
- interest income increased by \$ 59,000 as a result of the financing completed in November of 2007,
- administrative expenses increased by \$ 141,000. The major items causing this increase are approximately as follows:
 - a onetime bonus of \$ 75,000 paid to the president and director fees increased by \$ 9,000,
 - salaries and benefits increased by \$ 44,000 due to increased staff and general market conditions,
 - travel and entertainment decreased by \$ 35,000 resulting from fewer investor conferences during 2007,
 - professional fees have decreased \$ 23,000 resulting from reduced audit and legal fees,
 - insurance costs increased by \$ 18,000 as a result of obtaining a policy for out of country operations, and
 - Lima office costs increased by \$ 68,000 resulting from the Company incurring greater employer benefit costs, insurance and travel.

Mineral Property Expenditures

During the year ended September 30, 2008 the Company incurred cash expenditures on its mineral properties of \$ 2,165,672 (2007 - \$ 2,026,427).

At September 30, 2007 the Company commenced actions to abandon the Pachin Alto (EMRC) concessions resulting in a write-off of \$ 1,379,809 in 2007 and \$ 66,480 in 2008.

IGOR Concessions (Peru)

The Company spent \$ 2,058,826 (2007 - \$1,084,016) in Mineral property expenditures furthering the Company's knowledge of the geology of the concessions.

During the past year, the Company completed 500 meters of channel sampling, and 2600 meters of diamond drilling. Given the very rugged terrain of the Igor concessions, the Company maintained a crew of 20 local employees to develop the road access and assist with the sampling and mapping.

The latest drill program, completed in May 2008, was designed to test a conceptual porphyry model based on widespread and intense phyllic, hydrothermal alteration of outcropping porphyritic dacite. Phyllic alteration typically forms shells around ore zones in porphyry systems. Sienna believes that a major porphyry, or cluster of porphyries, drove the mineralization of the entire district. Because the porphyry target is mostly concealed beneath Cretaceous quartzites, and has a length of over 3 km, the planned program comprised widely spaced holes up to 500 m in depth. The completed program comprised 11 holes and a total of 2,644 m.

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The best gold results came in the Callanquitas CA-01b with 218 m of mostly oxidized material averaging 0.6 g/t of gold. The best intersection was 33.7 m of 1.8 g/t gold. Unfortunately, the hole could not be deepened because of technical problems.

Other interesting intersections came from drill holes located about 2.2 km southeast of CA-01b. Drill hole IG-7A1 intersected 18 m of 0.5 g/t of gold and 17.8 g/t of silver with other isolated sections of higher grade material. This hole probably cut the southern continuation of the Tesoros fault, which has an Indicated Resource of 84,900 gold-equivalent ounces. Drill hole IG-7A2 cut 12.1 m averaging 1.7 g/t of gold and 12.2 g/t of silver. This hole also showed stronger base metal mineralization (copper and zinc).

The most interesting porphyry drill hole, IG-7B1, intersected 66.4 m of 0.5% zinc and sporadic, narrow intersections of greater than 1% lead. The final 8 m revealed classic, porphyry-type chalcopyrite veins with grades up to 0.35% copper. It is concluded that this hole touched the top of porphyry copper mineralization. The high zinc may be a halo around the copper zone, a typical feature of porphyries.

Five holes were unsuccessful in achieving target depths due to technical problems. These included DO-10, IG-7C1, PI-01, PI-02 AND CA-01A.

Table 2: Total results

Hole	Depth (m)	Interval (m)	Weighted Average Grade		
			Gold (g/t)	Silver (g/t)	Zinc (%)
DO-10	323.5				
IG-7A1	224.2	63.1 to 81.0	0.5	17.8	
IG-7A2	283.3	38.2 to 50.3	1.7	12.2	
IG-7B1	501.2	29.8 to 96.2			0.5
IG-7C1	113.9				
PI-01	126.6				
PI-02	222.8				
CA-02	359.0	Hydrothermal breccias, unmineralized			
CA-01a	51.8				
CA-01b	230.7	12.3 to 230.7	0.6	14.1	
CA-03	207.9				

The porphyry model has thus been validated by this phase of drilling. The significant oxidized, gold mineralization, near the surface, is hosted by porphyritic dacite which is the first time that this style of mineralization has been drilled at Igor. The near surface gold target at Callanquitas is particularly exciting and has potential for a low-cost bulk-mineable, oxidised gold deposit. The Company now has a much better focus on the porphyry targets and intends to drill on much closer centers in the future to prove up this near surface gold and continue exploration on the major copper-gold porphyry.

Planning has advanced to continue drilling at Igor to further test the porphyry zone and add additional mineral resources to the manto areas. An advanced exploration application is currently being reviewed by the Peruvian government and approval is anticipated imminently. Drilling will commence upon successful financing being completed.

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Pele Concession (Peru)

This property was visited on two occasions by Company geologists during the period and no structures or mineralization of interest was found. It is intended to close the joint venture and return the property to its owner.

La Borrachera Concession (Peru)

This property was visited by Company geologists and by Dr. Warren Pratt on two occasions. Due to the presence of high sulfidation-type mineralization, a decision was made to stake 800 hectares of claims in the region. No work has been done on the property since it was staked. The Company intends to commence surface mapping and sampling in 2009.

Risk 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.

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.

Calculation of Resources, Conversion to Reserves and Metal Recovery

The Company currently has no mineral reserves. Work has been done to quantify an indicated resource on the Igor property based on completed drill campaigns. 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.

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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. Recent economic risks – The worsening of the global credit crisis, severely declining valuations on equity markets worldwide, weakening economic growth and sharp falls in commodity prices have generated significant uncertainty for the mining sector. 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.

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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.

Quarter Ended	Revenues	Loss For The Period	Basic and Fully-Diluted (Loss) per Share
		\$	\$
September 30, 2008	Nil	(171,458)	(0.00)
June 30, 2008	Nil	(393,873)	(0.01)
March 31, 2008	Nil	(300,442)	(0.01)
December 31, 2007	Nil	(495,924)	(0.01)
September 30, 2007	Nil	(1,733,186)	(0.04)
June 30, 2007	Nil	(301,193)	(0.01)
March 31, 2007	Nil	(562,113)	(0.01)
December 31, 2006	Nil	(210,978)	(0.01)

During the three months ended September 30, 2008, the Company incurred \$ 353,043 in mineral property expenditures, exploring and maintaining its properties in Peru. In addition, the Company extended its lease on the office in Peru to December 15, 2008.

The loss for the three months ended September 30, 2008 decreased by \$ 1,561,728 over the loss for 2007. The major items causing this decrease are as follows:

- the write off of mineral properties of \$ 1,380,000 in 2007,
- a bonus to the President of \$ 75,000 in 2007,
- a decrease in the stock-based compensation of \$ 29,506, and
- a decrease in interest income of \$ 16,856.

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Liquidity

The Company had cash and cash equivalents of \$ 97,528 at September 30, 2008 as compared with \$ 2,360,476 at September 30, 2007.

The Company had a working capital (deficit) surplus of \$ (154,463) and \$2,318,116 as at September 30, 2008 and September 30, 2007, respectively.

At January 22, 2009, the Company has outstanding 1,617,375 (September 30, 2008 – 3,293,952) common share purchase warrants outstanding.

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 \$ 154,463 as of September 30, 2008.

Litigation, Claims and Assessment

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.

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 year, the President and CEO was paid \$ 120,000 (2007 - \$ 195,000) including a bonus of \$ Nil (2007 – 75,000) for management services provided. On January 1, 2007, the President and CEO became an employee. Directors or companies controlled by directors, were paid \$ 12,000 (2007 – \$ 23,400) for engineering and other services, and a law firm of which a director is a partner was paid \$ 16,558 (2007 - \$ 96,417). The balance owing to directors or their associated firms at September 30, 2008 was \$ 5,193 (2007 - \$ 9,035).

During 2006, while 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 September 30, 2006, 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.

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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 assumptions regarding volatility based upon historical volatility of the Company's stock for the period July, 2005 (the resumption of trading on the Toronto Venture Exchange) to the date of transaction. 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.

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Change In Accounting Policy

Effective October 1, 2007 the Company adopted the following:

1. *Financial Instruments – Disclosure and Presentation*: the CICA issued Section 3862, “Financial Instruments Disclosures” and Section 3863, “Financial Instruments, Presentation.” These standards provide additional guidance on disclosing risks related to recognized and unrecognized financial instruments and how those risks are managed. This section applies to interim and annual financial instruments relating to fiscal years beginning on or after October 1, 2007. The adoption of these Handbook Sections has no material impact on the financial statements.

2. *Capital Disclosures*: CICA issued handbook Section 1535, Capital Disclosure, which provides standards for disclosures regarding a company’s capital and how it is managed. Enhanced disclosures with respect to the objectives, policies and processes for managing capital and quantitative disclosures about what a company regards as capital is required. These recommendations are effective for fiscal years beginning on or after October 1, 2007 and, therefore, the Company has adopted these standards on October 1, 2007. The adoption of this Handbook section has no material impact on the financial statements.

Accounting policies not yet adopted

The following pronouncements recently issued by the Canadian Institute of Chartered Accountants (“CICA”) may impact the Company’s future accounting policies:

Future Accounting Changes

Convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”)

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada’s current GAAP for those enterprises. These include listed companies and other profit-oriented enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year.

Senior management of the Company has established a committee to establish the impact on the Company’s future financial position and results of operations under IFRS. The committee is reporting the results of this review to the Board and the Audit Committee on a periodic basis. At this time, the impact on the Company’s future financial position and results of operations is not reasonably determinable or estimable.

Section 1400 – Going Concern

Effective for fiscal years beginning on or after January 1, 2008, CICA Section 1400 – “General Standards of Financial Presentation” requires management to assess and disclose the ability of the Corporation to continue as a going concern.

Section 3031 – Inventories

Effective for fiscal years beginning on or after January 1, 2008, CICA Section 3031 – Inventories replaces Section 3030 and provides revised guidance on the measurement of cost and cost formulas for inventories, and increased disclosures. This standard is expected to have minimal impact on the Company upon adoption as the Company does not maintain significant levels of inventories on an ongoing basis.

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Section 3064 – Goodwill and Intangible Assets

Effective for fiscal years beginning on or after January 1, 2009, the Company will be required to adopt this standard which replaces GAAP section 3062 and 3450 and provides guidance relating to the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company is currently assessing the impact of this standard.

CICA issued Handbook Section 1506, Accounting Changes, which provides expanded disclosures for changes in accounting policies, accounting estimates and corrections of errors. Under the new standard, accounting changes should be applied retrospectively unless otherwise permitted or where impracticable to determine. As well, voluntary changes in an accounting policy are to be made only when required by a primary source of GAAP or the change results in more relevant and reliable information. These recommendations are effective for fiscal years beginning on or after January 1, 2007, and as a result, this section was adopted October 1, 2007 with no material impact on the financial statements.

Outstanding Share Data

The Company's outstanding share data as at January 26, 2009 and September 30, 2008 is as follows:

	<u>January 26, 2009</u>	<u>September 30, 2008</u>
Common shares	45,840,980	44,640,980
Common share purchase warrants		
• Expiring November 1, 2008 (Note 1)	-	2,876,577
• Expiring August 1, 2009 (Note 2)	417,375	417,375
• Expiring December 19, 2010 (Note 3)	1,200,000	-
Stock Options (Note 4)	<u>3,090,000</u>	<u>3,415,000</u>
Fully Diluted Shares	<u>50,548,355</u>	<u>51,349,932</u>

Notes:

- 1) Warrants are exercisable at \$ 0.90 per share, expired on November 1, 2008.
- 2) Warrants are exercisable at \$ 0.80 per share and expire on August 1, 2009.
- 3) Warrants are exercisable at \$0.35 per share and expire on December 19, 2010.
- 4) 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 November 15, 2012. As of January 26, 2009 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, 2007 and have concluded that they are adequate and effective to ensure accurate and complete disclosure.

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Additional Disclosure

General and administrative expenses	Year Ended September 30, 2008	Year Ended September 30, 2007
	\$	\$
Lima, Peru – office costs	277,210	325,347
Professional fees	137,072	184,929
Administration fees	132,000	204,000
Travel and entertainment	34,191	59,837
Office and other costs	<u>127,548</u>	<u>42,987</u>
Total general and administrative costs	<u><u>708,021</u></u>	<u><u>817,100</u></u>

Exploration costs by property incurred during the year ended:	Year Ended September 30, 2008	Year Ended September 30, 2007
	\$	\$
Igor concession	2,058,826	1,084,016
Pachin Alto (EMRC) concessions	66,480	919,676
Buena Fortuna concession	-	-
Pele Joint Venture	<u>10,101</u>	<u>-</u>
	<u><u>2,135,407</u></u>	<u><u>2,003,692</u></u>

Subsequent Events

On November 1, 2008, the warrants issued pursuant to the October 15, 2006 prospectus offering expired unexercised.

Pursuant to a private placement dated November 25, 2008, the Company issued 1,200,000 units at \$ 0.25 per unit. Each unit consists of one (1) common share, one (1) common share purchase warrant and one (1) NSR Interest. Each common share purchase warrant entitles the holder to purchase one common share at \$ 0.35 per share for a period of 24 months from closing.

Each NSR Interest is an undivided interest in a two and a half percent (2.5%) Net Smelter Royalty of the Company's Igor property (the "NSR") equal to 0.0000083333% of the NSR. The Company retains the right to repurchase the NSR for \$ 0.25 per Unit (a total of \$ 300,000) at any time in the future.

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.co