

**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 27, 2010 for the year ended September 30, 2009. 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, 2009 and related notes. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. 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.

Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements for Sienna Gold Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the September 30, 2009 audited consolidated financial statements. Only changes in accounting information have been disclosed in these consolidated financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented.

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 117, 339 – 50th Avenue S. W. Calgary, Alberta, Canada, T2G 2B3. Sienna Minerals S.A.C. office is located at Calle El Rosario 359-B Lima, Peru.

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

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).

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 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. 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 28, 2007, the Company entered into an option agreement with the shareholder of Sociedad Minera Pele S.A.C. ("Pele"), a Peruvian company, to acquire shares of Pele from the shareholder. Pele owns 3,200 hectares of land in the Otuzco Province of Peru. In December 2008, the option agreement was cancelled resulting in a write-off of \$ 16,736.

In September 2008, the Company filed mining claims on 900 hectares in the Lomas Province of the Department of Piura Peru. On July 1, 2009 the concession was surrendered to the government of Peru resulting in a write-off of \$ 33,479.

Pursuant to a private placement the Company issued 1,200,000 units at \$ 0.25 per unit on December 19, 2008 for proceeds of \$ 300,000.

Pursuant to a private placement the Company issued 1,358,499 units at \$ 0.15 per unit on August 28, 2009 for gross proceeds of \$ 203,775.

Pursuant to a private placement the Company issued 4,108,167 units at \$ 0.15 per unit on September 10, 2009 for gross proceeds of \$ 616,225.

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

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 this fiscal year.

Mineral Property Expenditures

During the three and twelve month periods ended September 30, 2009, the Company incurred expenditures on its mineral properties of \$ 231,048 and \$ 544,640 respectively. During the year ended September 30, 2009 accrued salaries of \$ 62,000 were waived in consideration of stock options.

IGOR Concessions (Peru)

The Company spent \$ 530,477, including approximately \$ 160,000 in disputed drilling costs claimed by the drilling contractor, in exploration costs on concessions in Peru for the year ended September 30, 2009 (\$ 2,058,826 – 2008).

Pele Joint Concessions (Peru)

The Company incurred cash expenditures of \$ 4,202 exploring the property. In December 2008 the concession was returned to the owner resulting in a write-off of \$16,736 and the joint venture was terminated.

La Borrachera Concession (Peru)

The Company incurred cash expenditures of \$ 9,961 completing the ownership of these claims. No work has been done on the property since it was staked. On July 1, 2009 the concession was surrendered to the government of Peru resulting in a write-off of \$33,479.

Social Development (Peru)

The Company continues to follow 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), road development, contributions to community events, formalizing of land ownership and sponsorship of a sustainable economic development workshop.

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

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, 2009 and 2008.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$
Revenue	Nil	Nil	Nil
Interest Income	61	29,123	69,349
Loss for the Period	(651,823)	(1,361,697)	(2,807,470)
Loss per Share - Basic and Diluted	0.01	0.03	0.07
Total Assets	9,957,639	9,188,518	9,376,993
Total Long-term Liabilities	12,221	9,445	23,328
Dividends Declared	Nil	Nil	Nil

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, 2009	Nil	(176,978)	0	
June 30, 2009	Nil	657	0	
March 31, 2009	Nil	(251,324)	(0.01)	
December 31, 2008	Nil	(224,178)	(0.00)	
September 30, 2008	Nil	(181,458)	(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, 2009	September 30, 2008	September 30, 2007
		\$	\$	\$
Lima, Peru – office costs		168,110	277,210	325,347
Professional fees		109,166	137,072	184,929
Administrative fees		59,532	132,000	204,000
Travel and entertainment		11,043	34,191	59,837
Office and other costs		<u>59,001</u>	<u>127,548</u>	<u>42,987</u>
Total general and administrative costs		<u>406,852</u>	<u>708,121</u>	<u>817,100</u>

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

For the Year Ended September 30, 2009

The loss for the year ended September 30, 2009, decreased by \$ 709,874 over the loss for 2008. The major items causing this increase are as follows:

- Write-off of mineral properties in the amount of \$ 50,215 (2008 - \$ 93,432) resulting from the abandonment of the Buena Fortuna concessions in 2008, and the Pele and La Borrachera concessions in 2009.
- Stock-based compensation decreased by \$ 271,218 as a result of stock options granted in January of 2007 and August 2009.
- Transfer, listing agent fees and shareholder communications decreased by \$ 52,430. The major items causing this decrease are as follows:
 - attendance at conferences decreased by \$ 19,636 as a result of the Company attending fewer investment conferences during the year,
 - consulting fees decreased by \$ 15,000 resulting from cancellation of the investor relations consultant,
 - transfer agent fees decreased by \$ 4,560 resulting from reduced activity, and
 - printing and mailing decreased by \$ 14,500
- interest income decreased by \$ 29,062,
- administrative expenses decreased by \$ 301,169. The major items causing this decrease are as follows:
 - administration cost decrease by \$ 72,468 due to the president waiving his salary for a period during the year in exchange for stock options
 - travel and entertainment increased by \$ 23,148, due to reduced activity
 - professional fees decreased \$ 27,906 resulting from reduced activity and \$ 20,000 of consulting fees being waived in exchange for stock options
 - Lima office costs decreased by \$ 109,099 as a result of activities in Peru being suspended.

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 increase are as follows:

- write-off of mineral properties in the amount of \$ 93,432 (2007 - \$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 stock options granted in January of 2007,
- Transfer, listing agent fees and shareholder communications decreased by \$ 48,262. The major items causing this decrease are 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 contracting of an investor relations consultant,
 - transfer agent fees decreased by \$ 7,100 resulting from the public placement of units in 2007, and
 - printing and mailing increased by \$ 11,000
- interest expense decreased by \$ 17,000 resulting from advances made by a director and a shareholder in 2007,
- interest income decreased by \$ 40,200,
- administrative expenses decreased by \$ 108,979. The major items causing this decrease are as follows:
 - a onetime bonus of \$ 75,000 paid to the president 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 decreased by \$ 25,646,
 - professional fees decreased \$ 47,857 resulting from reduced audit and legal fees, and
 - Lima office costs decreased by \$ 48,137 resulting from the Company incurring greater employer benefit costs, insurance and travel in 2007.

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

Risks 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 has established levels of indicated and inferred resources pursuant to a Technical Report dated February 8, 2008. 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.

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

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.

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

Liquidity

The Company had cash and cash equivalents of \$ 533,334 at September 30, 2009 (September 30, 2008 – \$ 97,528).

The Company had working capital deficiency of \$ 128,767 at September 30, 2009 (a working capital deficiency of \$ 154,463 at September 30, 2008).

Sienna has historically financed its activities 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. The Company will need additional funding prior to commencement of the next exploration phase. 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.

Litigation, Claims and Assessment

The Company is not aware of any material claims or potential claims against it. The Company has been named or threatened to be named in 4 legal claims in Peru, but based on advice from local counsel there, the Company is of the view that none are either material or have any substantive basis.

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 ended September 30, 2009:

Directors or companies controlled by directors were paid \$ 26,697 (2008 – \$ 18,985) of which \$6,514 is in the year end accounts payable and accrued liabilities for engineering and other services, and a law firm of which a director is a partner was paid \$ 53,242 (2008 - \$ 16,588) of which \$25,038 is in the year end accounts payable and accrued liabilities (2008 - \$5,194). During the year related parties waived compensation amounting to \$ 126,468, representing \$62,000 in salaries originally capitalized to mineral properties and \$64,468 in salaries originally charged to operations. The amounts have been reversed by the Company and removed from accounts payable and accrued liabilities. In consideration for this waiver of accrued compensation in 2009 the Company granted stock options to the related directors and officers (Note 8(b)). Directors, officers and consultants participated in private placements in August and September 2009 acquiring \$ 128,617 of Units.

During the year ended September 30, 2008:

Directors or companies controlled by directors were paid \$ 18,985 (2007 - \$ 23,400) for engineering and other services, and a law firm of which a director is a partner was paid \$ 16,588 (2007 - \$ 96,417).

The above transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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

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 Company follows the fair value method of accounting for stock-based compensation arrangements, whereby the fair value of stock options at the date of grant is recorded as compensation cost over the vesting period. The fair value is determined using the Black-Sholes valuation model that takes into account the exercise price and expected volatility of the Company's stock price, the expected dividends on the stock, the expected forfeiture rate of the options granted, and the current risk-free interest rate for the expected life of the option. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest; rather the Company accounts for actual forfeitures as they occur.

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.

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

Financial Instrument – Recognition and Measurement

Section 3855 establishes standards for the recognition and measurement of all financial instruments, provides a characteristics-based definition of a derivative financial instrument, provides criteria to be used to determine when a financial instrument should be recognized, and provides criteria to be used when a financial instrument is to be extinguished. Under this standard, all financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables, or other financial liabilities. The Company has implemented the following classification for its financial instruments:

- a) Cash and cash equivalents has been classified as held-for-trading,
- b) Accounts receivables have been classified as loans and receivables,
- c) Advances from and to related parties are classified as loans and receivables,
- d) Accounts payable and accrued liabilities have been classified as other financial liabilities and measured at amortized cost. In management's opinion the amortized costs approximate their carrying values.

Adoption of new accounting standards

- a) Adoption of new standards:

Credit Risk and Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract 173 entitled *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* ("EIC – 173"). EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC- 173 is applicable to the Corporation's interim and annual financial statements for periods ending on or after January 20, 2009. The Company has evaluated the new guidance and determined that the adoption of these new requirements has not had an impact on the Company's consolidated financial statements.

Effective October 1, 2008 the Company adopted the following new accounting standards:

General Standards of Financial Statement Presentation (CICA Section 1400)

In June 2007, the CICA amended Section 1400, "General Standards of Financial Statement Presentation" to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least but not limited to 12 months from the balance sheet date.

Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. These amendments are effective for fiscal years beginning on or after January 1, 2008 and therefore the Company has implemented them as of October 1, 2008.

Section 3064 – Goodwill and Intangible Assets

CICA Handbook Section 3064 replaced CICA 3062, 3450, EIC 27 and part of AcG11. The portions in the new standard with respect to Goodwill remain unchanged. The provisions relating to the definition and initial recognition of intangible assets are equivalent to those found in International Reporting Financial Standards ("IFRS"). The adoption of this standard had no impact on the Company's representation of its financial position or results of operations as at September 30, 2009 and the year then ended.

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

b) Recent pronouncements:

Business combination, Consolidated Financial Statements and Non-Controlling interest

For interim and annual financial statements relating to its fiscal year commencing on or after January 1, 2011, the Company will be required to adopt new CICA Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests". Section 1582 replaces existing Section 1581 "Business Combinations", and Sections 1601 and 1602 together replace Section 1600 "Consolidated Financial Statements." The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 "Business Combinations and International Accounting Standard IAS 27 "Consolidated and Separate Financial Statements" respectively. The impact of adopting these new standards has not yet been assessed and cannot reasonably be estimated at this time.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. The Company is currently engaged in the scoping phase of its conversion which involves a high level review of major differences between Canadian GAAP and IFRS, setting a timeline for resources and developing a project plan. This scoping phase is intended to provide direction to the Company's management for the second phase of conversion project and will be disclosed in the Company's 2010 annual financial statements and management's discussion and analysis. The company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

SIENNA GOLD INC.
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 27, 2010 and September 30, 2009 is as follows:

	<u>September 30, 2009</u>	<u>September 30, 2008</u>
Common shares	51,307,646	44,640,980
Common share purchase warrants		
• Expiring November 1, 2008 (Note 1)	-	2,876,577
• Expiring August 1, 2009 (Note 2)	-	417,375
• Expiring December 19, 2010 (Note 3)	1,200,000	-
• Expiring August 29, 2010 (Note 4)	1,358,499	-
• Expiring September 11, 2010 (Note 5)	4,108,167	-
• Agents options (Note 6)	89,150	-
• Agents warrants (Note 7)	355,817	-
Stock Options (Note 7)	<u>4,440,000</u>	<u>3,415,000</u>
Fully Diluted Shares	<u>62,859,279</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, expire on August 1, 2009.
- 3) Warrants are exercisable at \$ 0.35 per share and expire on December 19, 2010.
- 4) Warrants are exercisable at \$ 0.25 per share and expire on August 19, 2010
- 5) Warrants are exercisable at \$ 0.25 per share and expire on September 11, 2010.
- 6) Agents options are exercisable at \$ 0.15 per share and expire on August 19, 2010.
- 7) Agents warrants are exercisable at \$ 0.25 per share and expire on August 19, 2010 (89,150) and September 10, 2010 (266,667)
- 8) Stock options outstanding are exercisable at prices ranging from \$ 0.25 to \$ 1.15 per share and expire on dates ranging from June 30, 2010 to September 1, 2014. As of January 27, 2010 all stock options granted have vested except for 800,000 which will vest prior to November 2010.

Capital Resources

The Company had a working capital deficiency of \$ 128,767 as of September 30, 2009.

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, 2009 and have concluded that they are adequate and effective to ensure accurate and complete disclosure.

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

Additional Disclosure

	September 30, 2009 \$	September 30, 2008 \$	September 30, 2007 \$
Deferred Exploration Costs by property			
Igor concession	530,477	2,058,826	1,084,016
Pachin Alto (ERMC) concession	-	66,480	919,676
Pele Joint concession	4,202	10,101	-
La Borrachera Concession	<u>9,961</u>	<u>-</u>	<u>-</u>
	<u>544,640</u>	<u>2,135,407</u>	<u>2,003,692</u>

Subsequent Events

On October 6th, 2009 the Company granted 350,000 stock options to directors at \$ 0.30 per share exercisable for 5 years from the date of grant. The stock options granted to the directors vest as to 50% on October 6th, 2009 and the balance on October 6th, 2010.

The Company subsidiary, Sienna Minerals S.A.C., has entered into an agreement to acquire approximately 300 net hectares of land contiguous to the IGOR concession. The consideration will be \$ 55,000 US which amount can be settled with the issuance of 355,000 common shares of Sienna Gold valued at \$ 0.155 per share.

Contingency

A drilling contractor engaged by the Company during the period 2007-2008 to perform drilling activities on the IGOR concession has indicated to the company that in addition to the US\$ 534,530 that has invoiced to and paid by the Company an additional US\$ 377,000 remains outstanding. The balance outstanding is being disputed by the Company, however, the entire amount has been recorded as a liability at September 30, 2009.

The drilling contractor has recently filed a statement of claim in the amount of US\$ 58,000 and has received approval to encumber the IGOR concession with a US \$ 50,000 encumbrance.

The Company has been disputing the amount of the invoices of which it has only recently received in good faith since it was made aware of the disputed amount. The Company maintains that the work performed by the drilling contractor was deficient in skill, quality and supervision and that the drilling contractor did not complete the work contracted. The Company intends to defend itself and believes that it has meritorious defenses.

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.