

**SIENNA GOLD INC.**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**For the three and six month periods ended**  
**March 31, 2009 and 2008**  
**Date of report: May 29, 2009**

**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 May 29, 2009 for the three and six month periods ended March 31, 2009.

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 and related notes as at and for the year ended September 30, 2008, and for the three and six month periods ended March 31, 2009. These consolidated 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 Inc.'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.

The interim consolidated financial statements have been prepared by management and approved by Sienna's Audit Committee on behalf of the Board of Directors. These financial statements have not been independently reviewed or audited. These statements are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may differ materially. Refer to the Business Risks section of this MD&A for additional information related to identified risks, estimates and uncertainties.

**Responsibility for Interim 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, 2008 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 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 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 3<sup>rd</sup> Street S.W. Calgary, Alberta, Canada T2P 4H2 and its head office is located at Suite 820 - 840 7<sup>th</sup> Ave S. W. Calgary, Alberta, Canada, T2P 3G2. Sienna Minerals S.A.C. office is located at Jose Del Llano Zapata 332 Lima, Peru.

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**Overview**

Since July 1, 2004, when the Company changed its business from oil and gas exploration and development 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 dated January 16, 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 69,474 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 Corporation 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 at the time and all the Pachin Alto concessions were dropped on November 15, 2007.

During the period from June 30, 2005 to date the Company has advanced the geological knowledge of the concessions through surface sampling, Induced Polarization (IP) surveys and drilling on the concessions. Assay results can be found in the Annual Information form and press releases.

In November, 2006, the Company completed a prospectus filing for gross proceeds of \$ 3,923,086 through the issuance of 5,505,400 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 for a period of one year following the closing subject to the right of the Company to accelerate the expiry date in certain circumstances. The net proceeds of the offering were \$ 3,648,464. The Agent was granted 392,308 units, as part of its agency fee. The agent's units expired in November of 2007.

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. In December 2008, the concessions were surrendered to its owner.

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 on which very little work has been done to date.

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, for a period of 24 months from closing, to purchase one common share at \$ 0.35 per share. Each NSR Interest is an undivided interest in 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.

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.

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**Mineral Property Expenditures**

During the three and six month periods ended March 31, 2009, the Company incurred cash expenditures on its mineral properties of \$ 129,123 and \$ 324,821 respectively.

**IGOR Concessions (Peru)**

The Company spent \$ 314,860 in exploration costs on concessions in Peru.

The Company continued to press for, and recently received a drilling permit from the government of Peru. The slowdown in the mining industry in Peru has resulted in a more competitive drilling industry. The Company is seeking bids from other drill contractors.

**Pele Joint Venture (Peru)**

The Pele Concession was returned to its owner and the joint venture agreement was terminated in the first quarter.

**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. The Company intends to commence surface mapping and sampling in 2009.

**Social Development (Peru)**

The Company continues to follow an 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.

**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
		\$	\$
March 31, 2009	Nil	(251,324)	(0.01)
December 31, 2008	Nil	(224,180)	(0.00)
September 30, 2008	Nil	(171,458)	(0.00)
June 30, 2008	Nil	(395,873)	(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)

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**General and Administrative Expenses**

	For the three months ended		For the six months ended	
	March 31		March 31	
	2009	2008	2009	2008
	\$	\$	\$	\$
Lima, Peru – office costs	61,563	80,990	127,569	156,732
Professional fees	28,762	18,946	92,984	63,799
Administrative and Directors' fees	33,000	33,000	66,000	66,000
Travel and entertainment	-	7,954	-	17,551
Office and other costs	<u>17,975</u>	<u>36,634</u>	<u>45,523</u>	<u>69,486</u>
Total general and administrative costs	<u>141,300</u>	<u>177,524</u>	<u>332,077</u>	<u>373,568</u>

The loss for the three months ended March 31, 2009, decreased by \$ 49,118 over the loss for 2008 as a result of the following:

- i. Stock based compensation decreased by \$ 50,958 as stock options have not been granted since January of 2007.
- ii. Transfer, listing fees and shareholder communications decreased by \$ 9,264 as a result of reduced printing cost for the 2009 annual meeting.
- iii. Premises decreased by \$ 3,521 resulting from the closing of the Lima office in December of 2008.
- iv. Administrative expenses have decreased by \$ 36,224 as a result of the following:
  - Lima office costs decreased by \$ 19,427 as a result of activities in Peru being suspended.
  - Professional fees have increased \$ 9,816 due to a \$ 300,000 financing completed in December of 2008.
  - Travel and entertainment decreased by \$ 7,954 due to a suspension of activities.
  - Office and other costs decreased by \$ 18,659 due to a reduction of office staff.
- iv. Interest income decreased by \$ 10,013.
- v. Write - off of mineral properties decreased \$ 7,843.

The loss for the six months ended March 31, 2009, decreased by \$ 306,859 over the loss for 2008 as a result of the following:

- i. Stock based compensation decreased by \$ 262,582 as stock options have not been granted since January of 2007.
- ii. Transfer, listing fees and shareholder communications decreased by \$ 22,663 as a result of reduced printing cost for the 2009 annual meeting.
- iii. Administrative expenses have decreased by \$ 41,492 as a result of the following:
  - Lima office costs decreased by \$ 29,163 as a result of activities in Peru being suspended.
  - Professional fees increased by \$ 29,185 due to the investigation of various financing options and the completion of a \$300,000 financing in December of 2008.
  - Travel and entertainment decreased by \$ 17,551 due to a suspension of activities.
  - Office and other costs decreased by \$ 23,963 due to a reduction of office staff.
- iv. Interest income decreased by \$ 27,190.
- v. Write - off of mineral properties decreased by \$ 41,195

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**Liquidity**

The Company had cash and cash equivalents of \$ 12,998 at March 31, 2009 (September 30, 2008 - \$ 97,528).

The Company had a working capital deficiency of \$ 615,332 at March 31, 2009 (September 30, 2008 - \$ 154,463).

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. 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 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 three months ended March 31, 2009:

Directors or companies controlled by directors were paid \$ 3,000 (2008 - \$ 27,008) for engineering and other services, and a law firm of which a director is a partner was paid \$ 10,177 (2008 - \$ 3,344).

During the six months ended March 31, 2009:

Directors or companies controlled by directors were paid \$ 19,183 (2008 - \$ 42,447) for engineering and other services, and a law firm of which a director is a partner was paid \$ 32,024 (2008 - \$ 6,483).

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.

**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 estimate of undiscounted net cash flows from the asset.

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.

# **SIENNA GOLD INC.**

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

### **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 TSX 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.

### **Changes in Accounting Policy**

Effective October 1, 2008 the Company adopted the following:

1. Going Concern – 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.
2. Inventories – 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 outgoing basis.

### **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 Policy 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 determine 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 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 current 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.

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**Outstanding Share Data**

The Company's outstanding share data as at May 15, 2008 and September 30, 2007 is as follows:

	May 29, 2009	September 30, 2008
Common shares	48,840,980	44,640,980
Common share purchase Warrants		
▪ Expired 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><u>50,548,355</u></u>	<u><u>51,349,932</u></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 February 2009, all stock options granted have vested.

**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 March 31, 2009 and have concluded that they are adequate and effective to ensure accurate and complete disclosure.

**Additional Disclosure**

Deferred exploration costs by property, the details of which are disclosed in Note 5 of the quarterly financial statements:

	March 31, 2009	March 31, 2008
	\$	\$
<b>Deferred Exploration Costs by property</b>		
Igor concession	341,860	1,291,810
Pachin Alto (EMRC) concessions	-	53,729
Buena Fortuna concession	-	-
La Borrachera concession	<u>9,961</u>	<u>-</u>
	<u><u>324,821</u></u>	<u><u>466,399</u></u>

**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](http://www.sedar.com) and on the Company's web site at [www.siennagold.com](http://www.siennagold.com).