

**Sienna Gold Inc.**  
(An Exploration Stage Company)

**Interim Consolidated Financial Statements**

**Three months ended December 31, 2009 and 2008**

**(Unaudited)**

**SIENNA GOLD INC.**

**To the Shareholders of Sienna Gold Inc.:**

The attached Interim Consolidated Statements of Operations, for the three months ended December 31, 2009 and 2008, the Interim Consolidated Balance Sheet as at December 31, 2009, and the Interim Consolidated Statements of Cash Flows for the three months ended December 31, 2009 and 2008, have neither been audited or reviewed by our auditors.

Calgary, Alberta

**SIENNA GOLD INC.**  
(An Exploration Stage Company)  
**INTERIM CONSOLIDATED BALANCE SHEETS**

As at

	December 31, 2009 (Unaudited) \$	September 30, 2009 (Audited) \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	239,598	533,334
GST and foreign sales tax recoverable	<u>34,511</u>	<u>32,830</u>
	274,109	566,164
<b>Mineral properties</b> (Note 4)	9,490,757	9,380,534
<b>Property and equipment</b> (Note 5)	<u>9,917</u>	<u>10,941</u>
	<u><u>9,774,783</u></u>	<u><u>9,957,639</u></u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	652,163	694,931
<b>Asset retirement obligation</b> (Note 7)	<u>12,915</u>	<u>12,221</u>
	<u>665,078</u>	<u>447,559</u>
<b>Nature of business and continuing operations</b> (Note 1)		
<b>Subsequent events</b> (Note 14)		
<b>Contingencies</b> (Note 15)		
<b>Shareholders' Equity</b>		
<b>Share capital</b> (Note 8)		
Common shares	16,678,092	16,678,092
Common share purchase warrants	448,639	448,639
<b>Contributed surplus</b> (Note 9)	2,624,690	2,517,046
<b>Deficit</b>	<u>(10,641,716)</u>	<u>(10,288,090)</u>
	<u>9,109,705</u>	<u>9,360,779</u>
	<u><u>9,774,783</u></u>	<u><u>9,957,639</u></u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.

On Behalf of the Board of Directors

\_\_\_\_\_  
John Rucci  
Signed

\_\_\_\_\_  
Andrew Burgess  
Signed

**SIENNA GOLD INC.**  
**(An Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS, AND DEFICIT**

	For the Three Months Ended December 31, 2009 (Unaudited) \$	For the Three Months Ended December 31, 2008 (Unaudited) \$	Cumulative from the initiation of exploration for precious and base metals on July 1, 2004 to December 31, 2009 (Unaudited) \$
<b>Expenses</b>			
General and administration	132,171	190,776	2,941,041
Interest on notes and advances	-	-	30,791
Premises	4,657	28,049	429,954
Transfer, listing fees and shareholder communications	21,342	5,708	544,140
Mineral and exploration costs (Note 4)	-	-	244,254
Stock-based compensation (Note 9)	107,644	18,258	1,317,524
Accretion expense (Note 7)	694	694	11,802
Depreciation	1,023	2,018	53,459
Foreign exchange gain	<u>(18,911)</u>	<u>(33,859)</u>	<u>(91,771)</u>
<b>Loss and comprehensive loss before the following:</b>	<b>248,620</b>	<b>211,644</b>	<b>5,481,194</b>
Interest income	(194)	-	(109,467)
Write-down of mineral properties (Note 4)	<u>-</u>	<u>12,534</u>	<u>2,100,908</u>
<b>Net loss and comprehensive loss</b>	<b>248,426</b>	<b>224,178</b>	<b>7,472,635</b>
<b>Deficit, beginning of period</b>	<b><u>10,393,290</u></b>	<b><u>9,741,467</u></b>	<b><u>3,169,081</u></b>
<b>Deficit, end of period</b>	<b><u>10,641,716</u></b>	<b><u>9,965,645</u></b>	<b><u>10,641,716</u></b>
<b>Loss per common share, basic and diluted</b>	<b>0.005</b>	<b>0.005</b>	
<b>Basic and Diluted Weighted average number of common shares outstanding</b>	<b><u>51,307,646</u></b>	<b><u>44,680,432</u></b>	

The accompanying notes to the consolidated financial statements are an integral part of this statement.

**SIENNA GOLD INC.**  
**(An Exploration Stage Company)**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Three Months Ended December 31, 2009 (Unaudited) \$	For the Three Months Ended December 31, 2008 (Unaudited) \$	Cumulative from the initiation of exploration for precious and base metals on July 1, 2004 to December 31, 2009 (Unaudited) \$
<b>Cash provided by (used for):</b>			
<b>Operating activities:</b>			
Net loss and comprehensive loss	(248,426)	(224,178)	(7,472,635)
Adjustments for:			
Write-down of mineral properties (Note 4)	-	12,534	2,100,908
Depreciation	1,023	2,018	53,459
Stock-based compensation	107,644	18,258	1,317,524
Accretion expense	694	694	11,802
Foreign exchange gain	(14,767)	(33,227)	(32,211)
Shares for interest expense	-	-	34,361
Interest reversal	-	-	(36,992)
	<u>(153,832)</u>	<u>(219,779)</u>	<u>4,023,784</u>
Asset retirement obligations settled	-	-	(33,607)
Changes in non-cash working capital items			
Rental deposit	-	4,122	15,634
GST and foreign sales tax recoverable	(2,200)	129,096	204,140
Prepaid expenses	-	12,952	(15,634)
Accounts payable and accrued liabilities	(115,776)	(224,334)	(523,162)
	<u>(271,808)</u>	<u>(302,065)</u>	<u>(4,376,413)</u>
<b>Investing activities:</b>			
Mineral property expenditures	(111,800)	(195,951)	(9,237,054)
Property and equipment expenditures	-	-	(63,376)
GST and foreign sales tax recoverable	519	(24,820)	(238,651)
Accounts payable and accrued liabilities	73,009	290,109	1,312,256
	<u>(38,272)</u>	<u>69,338</u>	<u>(8,226,825)</u>
<b>Financing activities:</b>			
Common shares and warrants issued	-	300,000	10,139,592
Share issue expenses	-	-	(835,216)
Deferred financing costs	-	-	(98,145)
Agents' units exercised	-	-	464,129
Warrants exercised	-	-	2,694,000
Options exercised	-	-	55,500
Advances from related parties	-	-	54,997
Notes payable	-	-	340,000
	<u>-</u>	<u>300,000</u>	<u>12,814,857</u>
<b>Effect of exchange rate change on cash</b>	<u>16,344</u>	<u>33,481</u>	<u>27,838</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>(293,736)</u>	<u>100,754</u>	<u>239,457</u>
<b>Cash and cash equivalents</b>			
Beginning of period	<u>533,334</u>	<u>97,528</u>	<u>141</u>
End of period	<u>293,598</u>	<u>98,282</u>	<u>293,598</u>

**Supplemental Cash Flows information (Note 12)**

The accompanying notes to the consolidated financial statements are an integral part of this statement.

**SIENNA GOLD INC.**  
**(An Exploration Stage Company)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three month ended December 31, 2009 and 2008**

**Note 1 - Nature of Business and Continuing Operations**

Sienna Gold Inc. ("Sienna" or the "Company") was incorporated on July 28, 1987, as Vortex Energy & Minerals Ltd., under the Alberta Business Corporations Act. The Company's name was changed on May 2, 2001 to Vortex Integrated Industrial Corporation and then to Sienna Gold Inc. on April 15, 2005. The Company is in the business of acquiring, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed.

The Company is exploring mineral properties in Peru and has not yet determined whether the properties contain economically recoverable ore reserves. The recovery of the amounts shown as acquisition costs of mineral properties and the related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development, and upon future profitable operations or proceeds from the disposition thereof.

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles on a going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business for the foreseeable future.

The Company's ability to continue as a going concern is dependent on the Company being able to satisfy its liabilities as they become due, being able to obtain the necessary financing to complete the exploration and development of its mineral interests, the attainment of profitable mining operations, and/or the receipt of proceeds from the disposition of its mineral property interests. These consolidated financial statements do not include any adjustments to the carrying value and classification of assets and liabilities that would be necessary, if the Company were unable to realize its assets or discharge its liabilities in anything other than the ordinary course of business.

**Note 2 - Significant Accounting Policies**

**Basis of presentation**

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles which requires management to make estimates and assumptions that affect the reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Such estimates primarily relate to unsettled transactions and events at the consolidated balance sheets date which are based on information available to management at each financial statement date.

By their nature, these estimates are subject to measurement uncertainty and the effect of changes in such estimates on the interim consolidated financial statements for current and future periods could be significant. The results of operations and cash flows for the three ended December 31, 2009 are not necessarily indicative of the results of operations or cash flows to be expected for the year ending September 30, 2010.

The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the annual audited consolidated financial statements for the year ended September 30, 2009. The disclosures provided below are incremental to those included with the annual audited consolidated financial statements. Certain information and disclosures normally required to be included in the notes to the annual audited consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, the interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and the notes thereto for the year ended September 30, 2009.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three month ended December 31, 2009 and 2008**

**Note 3 – Accounting Pronouncements**

- a) 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 the conversion project ,

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 4 - Mineral properties**

**Summary of mineral properties**

Property and costs	IGOR Concession (Peru) \$	Pele Concession (Peru) \$	La Borrachera Concession (Peru) \$	Total \$
<b>Balance, September 30, 2008</b>	<b><u>8,850,057</u></b>	<b><u>12,534</u></b>	<b><u>23,518</u></b>	<b><u>8,886,109</u></b>
Acquisition costs				-
Cash	-	-	23,518	23,518
Total acquisition costs	-	-	23,518	23,518
Deferred exploration costs:				
Claims maintenance and staking	3,501	4,202	9,961	17,664
Mapping and sampling	303,394	-	-	303,394
Drilling	178,059	-	-	178,059
Assaying	4,658	-	-	4,658
Environmental	3,487	-	-	3,487
Site visits	2,932	-	-	2,932
Safety and protection	12,103	-	-	12,103
Social development	16,162	-	-	16,162
Management	6,181	-	-	6,181
Total deferred exploration costs	530,477	4,202	9,961	544,640
Write-down of mineral properties	-	(16,736)	(33,479)	(50,215)
<b>Balance, September 30, 2009</b>	<b><u>9,380,534</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>9,380,534</u></b>
Deferred exploration costs:				
Mapping and sampling	43,058	-	-	43,058
Geographic Survey	806	-	-	806
Environmental	35,395	-	-	35,395
Surface Rights	3,899	-	-	3,899
Engineering	961	-	-	961
Safety and Protection	8,805	-	-	8,805
Management	17,299	-	-	17,299
Total deferred exploration costs	110,223	-	-	110,223
<b>Balance, December 31, 2009</b>	<b><u>9,490,757</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>9,490,757</u></b>

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three month ended December 31, 2009 and 2008**

**Note 4 - Mineral properties - Continued**

Mineral exploration costs incurred prior to the acquisition of the mineral properties and expensed for the period from inception to September 30, 2005 was \$ 244,254. No such costs were incurred and/or expensed for the period since September 30, 2005.

**(a) IGOR Concession**

On June 30, 2005 and March 9, 2006, the Company acquired a 100% interest in the IGOR concession comprising some 1,000 hectares in Peru.

**(b) Pele Joint Venture**

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 2009.

**(c) La Borrachera Concession**

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 in 2009.

**Title to Mineral Property Interests**

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

**Note 5 – Property and equipment**

Property and equipment consist of the following:

	<b>December 31, 2009</b>		
	Cost \$	Accumulated Depreciation \$	Net Book Value \$
Furniture and fixtures	63,377	53,460	9,917
	<b>September 30, 2009</b>		
	Cost \$	Accumulated Depreciation \$	Net Book Value \$
Furniture and fixtures	63,377	52,436	10,941

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three month ended December 31, 2009 and 2008**

**Note 6 - Related Party Transactions**

Three months ended December 31, 2009:

Directors or companies controlled by directors were paid \$ 23,751 (2008 – \$ 13,183) of which \$ 4,627 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 \$ 4,656 (2008 - \$ 21,846) of which \$ 33,297 is in the year end accounts payable and accrued liabilities (2008 - \$ 22,939).

Three months ended December 31, 2008:

Directors or companies controlled by directors were paid \$ 13,183 (2007 – \$ 9,600) of which \$ 5,474 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 \$ 21,846 (2007 - \$ 3,139) of which \$ 22,939 is in the year end accounts payable and accrued liabilities (2007 - \$ 3,327).

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.

**Note 7 - Asset Retirement Obligations**

The Company recognizes, as a liability, an asset retirement obligation (ARO) associated with the retirement of its long-lived asset in the period in which it is incurred and becomes determinable, with a corresponding increase in the carrying amount of the associated asset. The cost of the long lived asset, including the initially recognized ARO, is depleted such that the cost of the ARO is recognized over the useful life of the asset. The ARO is recorded at fair value, and accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value. The fair value of the ARO is measured using expected future cash outflows discounted at the Company's credit-adjusted risk-free interest rate.

As at December 31, 2009, the estimated present value of the Company's asset retirement obligation was \$ 12,915 based on an estimated fair value of \$ 12,915, determined using a credit adjusted risk free interest rate of 8.0%, and inflation rate of 2%. These obligations will be settled at the end of the useful lives of the underlying assets, which currently extend less than a year into the future.

The following table describes the changes to the Company's asset retirement obligations liability:

	\$
Asset retirement obligation at September 30, 2008	9,445
Accretion expense	<u>2776</u>
Asset retirement obligation at September 30, 2009	12,221
Accretion expense	<u>694</u>
Asset retirement obligation at December 31, 2009	<u><u>12,915</u></u>

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three month ended December 31, 2009 and 2008**

**Note 8 – Share Capital**

**(a) Authorized:**

Unlimited number of common shares and unlimited number of preference shares:

Shares	Number	Amount \$
Balance, September 30, 2008	44,640,980	16,090,852
Private placements		
December 10, 2008	1,200,000	187,420
August 28, 2009	1,358,499	123,095
September 10, 2009	4,108,167	360,846
Share issue cost	<u>-</u>	<u>(84,121)</u>
<b>Balance December 31, 2009 and September 30, 2009</b>	<b><u>51,307,646</u></b>	<b><u>16,678,092</u></b>

Common Share Purchase Warrants	Number	Amount \$	Expiry Date	Exercise Price
<b>Balance, September 30, 2008</b>	3,293,952	1,203,196		
Private placements				
December 10, 2008	1,200,000	112,580	December 10, 2010	\$ 0.35
August 28, 2009	1,358,499	80,680	August 29, 2010	\$ 0.25
September 10, 2009	4,108,167	255,379	September 11, 2010	\$ 0.25
Warrants Expired	<u>(3,293,952)</u>	<u>(1,203,196)</u>		
<b>Balance December 31, 2009 and September 30, 2009</b>	<b><u>6,666,666</u></b>	<b><u>448,639</u></b>		

**SIENNA GOLD INC.**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three month ended December 31, 2009 and 2008**

**Note 8 – Share Capital - continued**

**Issued and outstanding common shares and warrants to purchase common shares:**

**Fiscal 2009 Transactions**

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. The Company has assigned \$ 112,580 to the warrants based on the estimated fair value using a Black-Scholes option value model with the balance of \$ 187,420 assigned to the shares. No value has been assigned to the NSR. Each unit consists of one (1) common share, one (1) common share purchase warrant and one (1) net smelter royalty ("NSR"). 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 0.00008333% of the NSR. The Company retains the right to repurchase the NSR for \$ 0.25 per NSR unit (\$ 300,000 in total) at any time in the future.

Pursuant to private placement memorandum the Company issued 5,466,666 units, comprising one common share and one common share purchase warrant, at \$0.15 per unit for gross proceeds of \$820,000. The warrants entitle the holder to acquire a common share for \$0.25 per share for one year after closing. The Company has assigned \$336,059 to the warrants based on the estimated fair value using a Black-Scholes option valuation model with the balance of \$483,941 assigned to its shares. Agents assisting in the private placement were paid \$43,698 and were granted 89,150 units for \$0.15 per unit and 266,667 common share purchase warrants. The units entitle the holder to acquire one common share of the corporation for \$0.15 and receive one common share purchase warrant, the common share purchase warrants entitle the holder to acquire a common share for \$0.25 per share. The Company has assigned \$28,829 to the units and warrants based on the estimated fair value using Black-Scholes option value model. These costs have been recorded as share issue costs.

The fair value of warrants issued is estimated on the date of issue using the Black-Scholes valuation model with the following weighted average assumptions:

	Year ended September 30, 2009
Dividend yield	Nil
Expected volatility	86% - 144%
Risk free rate of return	1.09% - 2.51%
Expected life of options	1-2 year

Warrant valuing models require the input of highly subjective assumptions, including the expected price volatility. Change in the subjective input assumptions can materially affect the fair-value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three month ended December 31, 2009 and 2008**

**Note 8 – Share Capital - continued**

**(b) Stock Options**

The Company, in accordance with a stock option plan approved by shareholders and accepted by the TSX Venture Exchange, is authorized to grant options to directors, officers and consultants to acquire up to 10% of the Company's issued and outstanding common stock at any given time. The exercise price of each option equals the market price of the Company's stock on the date of grant. The options granted to employees, directors, officers and consultants vest 50% at date of grant with the balance vesting on the first anniversary of the date of grant. The options have a five year life. In the event of termination of employment the optionee has 90 days to exercise the options vested otherwise they expire.

Details of the stock options are as follows:

	Shares Number	Weighted Average Exercise Price \$
Options outstanding, September 30, 2008	3,415,000	0.55
Granted	1,300,000	0.25
Expired	<u>(625,000)</u>	<u>0.67</u>
Options outstanding, September 30, 2009	4,090,000	0.34
Granted	<u>350,000</u>	<u>0.30</u>
Options outstanding, December 31, 2009	<u>4,440,000</u>	<u>0.34</u>

Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
100,000	100,000	\$0.30	June 30, 2010
1,170,000	1,170,000	\$0.30	July 11, 2010
175,000	175,000	\$1.15	December 21, 2010
725,000	725,000	\$0.70	January 22, 2012
620,000	620,000	\$0.70	November 16, 2012
1,300,000	650,000	\$0.25	September 1, 2014
<u>350,000</u>	<u>175,000</u>	<u>\$0.30</u>	<u>October 7, 2014</u>
<u>4,440,000</u>	<u>3,665,000</u>		

The fair value of the options granted during the period is estimated on the dates of grant using the Black-Scholes option valuation model with the following weighted average assumptions:

	Period ended December 31, 2009	Year ended September 30, 2009
Dividend yield	Nil	Nil
Expected volatility	109%	96%
Risk free rate of return	2.51%	2.51%
Expected life of options	5 years	5 years

Option valuing models require the input of highly subjective assumptions, including the expected price volatility. Change in the subjective input assumptions can materially affect the fair-value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options. In accordance with the vesting periods for all options issued to directors, officers, employees and consultants, \$ 107,644 (December 31, 2008 - \$ 18,258) was recorded as an expense in the year with an offsetting credit to contributed surplus. An unamortized balance of \$ 71,080 (December 31, 2008 - \$ Nil) remains, which will be expensed over the remaining vesting period.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three month ended December 31, 2009 and 2008**

**Note 8 – Share Capital – Continued**

**(c) Earnings Per Share**

All of the warrants, agents' options and stock options outstanding at December 31, 2009 have been excluded from the calculation of loss per share as the Company is in a loss position, and to do so would be anti-dilutive to the calculation of loss per share.

**(d) Shares Reserved – Common Shares**

Shares are reserved for the following potential issuances:

	December 31, 2009	September 30, 2009
Private Placement		
December 10, 2008	1,200,000	1,200,000
August 28, 2009	1,358,499	1,358,499
September 10, 2009	4,108,167	4,108,167
Agent units/warrants	444,967	444,967
Stock options	4,340,000	3,990,000
Property acquisition options	<u>100,000</u>	<u>100,000</u>
	<u>11,551,633</u>	<u>11,201,633</u>

**Note 9 – Contributed Surplus**

	\$
Balance, September 30, 2008	1,202,763
Stock option compensation	182,258
Warrants Expired	<u>1,203,196</u>
Balance, September 30, 2009	2,517,046
Stock option compensation	<u>107,644</u>
<b>Balance, December 31, 2009</b>	<u>2,924,690</u>

**Note 10 – Management of Capital Structure**

The Company's objectives when managing capital are:

- i. Maintain a flexible capital structure which optimizes the cost of capital at acceptable risk;
- ii. To manage capital in a manner that balances the interests of equity and debt holders.

In the management of capital, the Company includes share capital and total debt (defined as the aggregate of current assets and current liabilities).

The Company manages the capital structure and makes adjustments depending upon economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and/or debt or sell assets.

The Company's share capital is not subject to external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

The Company prepares annual and updated budgets which are approved by the Board of Directors.

The Company is in an exploration phase and does not have any cash flow, and consequently relies on equity financing. At the present time, the Company may pursue financing by equity, acquiring joint venture partners or such other measures as the Board of Directors may identify in the best interests of the shareholders.

**SIENNA GOLD INC.**  
**(An Exploration Stage Company)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three month ended December 31, 2009 and 2008**

**Note 11 – Financial Instruments**

a) Fair value of financial instruments:

The Company's financial instruments as at December 31, 2009 and September 30, 2009 include cash and cash equivalents, GST and foreign sales taxes recoverable and accounts payable and accrued liabilities. The fair value of cash and cash equivalents, GST and foreign sales taxes recoverable and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity.

b) Credit risk:

The best representation of the Company's maximum exposure (excluding tax effects) to credit risk, which is a worst-case scenario and does not reflect results expected by the Company, is as set out in the following table:

	December 31, 2009	September 30, 2009
	\$	\$
Cash and cash equivalents	239,598	533,334
GST and Foreign Sales Tax Recoverable	<u>34,511</u>	<u>32,830</u>
	<u>274,109</u>	<u>566,164</u>

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. As at December 31, 2009, the Company's receivables consisted of \$ 34,511 (September 30, 2009 - \$ 32,830) from the governments of Canada and Peru.

The Company avoids complex investment vehicles with higher risk such as asset-backed commercial paper.

c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual budgets, which are regularly monitored and updated as considered necessary. To facilitate the capital expenditure program, the Company relies on equity financing. The Company anticipates raising funds from the issuance of equity prior to the commencement of the next exploration phase.

At December 31, 2009, all of the Company's accounts payable and accrued liabilities mature within one year.

d) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices and interest rates will affect the Company's value. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

**Note 12 - Supplemental Cash Flow Information**

Supplemental information regarding other non-cash transactions is as follows:

	December 31, 2009	September 30, 2009
Transfer from warrants to contributed surplus	-	1,203,196

Supplemental information regarding other cash transactions is as follows:

	December 31, 2009	September 30, 2009
Cash taxes paid	-	-
Cash interest paid	-	-

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the three month ended December 31, 2009 and 2008**

**Note 13 – Segmented Information**

The Company operated in one reportable operating segment, being mineral exploration and in the following geographical areas:

	<b>Loss for the Period</b>		
	<u>Canada</u>	<u>Peru</u>	<u>Total</u>
	\$	\$	\$
<b>December 31, 2009</b>	<b>179,273</b>	<b>69,153</b>	<b>248,426</b>
December 31, 2008	115,262	108,916	224,178

  

	<b>Identifiable Assets</b>		
	<u>Canada</u>	<u>Peru</u>	<u>Total</u>
	\$	\$	\$
<b>December 31, 2009</b>	<b>244,297</b>	<b>9,530,486</b>	<b>9,774,783</b>
September 30, 2009	441,273	9,516,366	9,957,639

**Note 14 – Subsequent Events**

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.

**Note 15 – 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 been 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 Peru 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 in good faith the amount of the invoices of which it has only recently received. 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.