

Sienna Gold Inc.
(An Exploration Stage Company)

Interim Consolidated Financial Statements

Three and six month periods ended

March 31, 2010 and 2009

(Unaudited)

SIENNA GOLD INC.

To the Shareholders of Sienna Gold Inc.:

The attached Interim Consolidated Statements of Operations, for the three and six month periods ended March 31, 2010 and 2009, the Interim Consolidated Balance Sheet as at March 31, 2010 and the Interim Consolidated Statements of Cash Flows for the three and six month periods ended March 31, 2010 and 2009, have neither been audited or reviewed by our auditors.

Calgary, Alberta

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

As at

	March 31, 2010 (Unaudited) \$	September 30, 2009 (Audited) \$
ASSETS		
Current		
Cash and cash equivalents	6,021	533,334
GST and foreign sales tax recoverable	<u>17,345</u>	<u>32,830</u>
	23,366	566,164
Mineral properties (Note 4)	9,470,012	9,380,534
Property and equipment (Note 5)	<u>8,979</u>	<u>10,941</u>
	<u><u>9,502,358</u></u>	<u><u>9,957,639</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	228,977	694,931
Asset retirement obligation (Note 7)	<u>13,609</u>	<u>12,221</u>
	<u><u>242,586</u></u>	<u><u>707,152</u></u>
Nature of business and continuing operations (Note 1)		
Subsequent events (Note 14)		
Shareholders' Equity		
Share capital (Note 8)		
Common shares	16,858,092	16,678,092
Common share purchase warrants	448,639	448,639
Contributed surplus (Note 9)	2,649,500	2,517,046
Deficit	<u>(10,696,459)</u>	<u>(10,393,290)</u>
	<u><u>9,259,772</u></u>	<u><u>9,250,487</u></u>
	<u><u>9,502,358</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		For the Six Months Ended		Cumulative from the initiation of exploration for precious and base metals on July 1, 2004 to March 31, 2010 (Unaudited) \$
	March 31		March 31		
	2010 (Unaudited) \$	2009 (Unaudited) \$	2010 (Unaudited) \$	2009 (Unaudited) \$	
Expenses					
General and administration	41,358	141,300	173,529	332,076	2,982,399
Interest on notes and advances	-	-	-	-	30,791
Premises	4,121	27,755	8,778	55,804	434,075
Transfer, listing fees and shareholder communications	21,004	29,416	42,346	35,124	565,144
Mineral and exploration costs (Note 4)	-	-	-	-	244,254
Stock-based compensation (Note 9)	24,810	-	132,454	18,258	1,342,334
Accretion expense (Note 7)	694	694	1,388	1,388	12,496
Depreciation	939	1,762	1,962	3,780	54,398
Foreign exchange gain	<u>(38,128)</u>	<u>50,403</u>	<u>(57,039)</u>	<u>16,544</u>	<u>(129,899)</u>
Loss and comprehensive loss before the following:	54,798	251,330	303,418	462,974	5,535,992
Interest income	(55)	(6)	(249)	(6)	(109,522)
Write-down of mineral properties (Note 4)	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,534</u>	<u>2,100,908</u>
Net loss and comprehensive loss	54,743	251,324	303,169	475,502	7,527,378
Deficit, beginning of period	<u>10,641,716</u>	<u>9,965,645</u>	<u>10,393,290</u>	<u>9,741,467</u>	<u>3,169,081</u>
Deficit, end of period	<u>10,696,459</u>	<u>10,216,969</u>	<u>10,696,459</u>	<u>10,216,969</u>	<u>10,696,459</u>
Loss per common share, basic and diluted	0.00	0.01	0.00	0.01	
Basic and Diluted Weighted average number of common shares outstanding	<u>51,328,194</u>	<u>45,840,980</u>	<u>51,328,194</u>	<u>45,840,980</u>	

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 March 31		For the Six Months Ended March 31		Cumulative from the initiation of exploration for precious and base metals on July 1, 2004 to March 31, 2010 (Unaudited) \$
	2010 (Unaudited) \$	2009 (Unaudited) \$	2010 (Unaudited) \$	2009 (Unaudited) \$	
Cash provided by (used for):					
Operating activities:					
Net loss and comprehensive loss	(54,743)	(251,324)	(303,169)	(475,502)	(7,527,378)
Adjustments for:					
Write-down of mineral properties (Note 4)	-	-	-	12,534	2,100,908
Depreciation	939	1,762	1,962	3,780	54,398
Stock-based compensation	24,810	-	132,454	18,258	1,342,334
Accretion expense	694	694	1,388	1,388	12,496
Foreign exchange gain	54,747	69,973	39,980	36,746	22,536
Shares for interest expense	-	-	-	-	34,361
Interest reversal	-	-	-	4,122	(36,992)
	<u>26,447</u>	<u>(178,895)</u>	<u>(127,385)</u>	<u>(398,674)</u>	<u>(3,997,337)</u>
Asset retirement obligations settled	-	-	-	-	(33,607)
Changes in non-cash working capital items					
Rental deposit	-	-	-	-	15,634
GST and foreign sales tax recoverable	17,684	5,119	15,484	134,215	221,824
Prepaid expenses	-	11,253	-	(82,852)	(15,634)
Accounts payable and accrued liabilities	<u>(97,948)</u>	<u>141,482</u>	<u>(213,724)</u>	<u>24,205</u>	<u>(621,110)</u>
	<u>(53,817)</u>	<u>(21,041)</u>	<u>(325,625)</u>	<u>(323,106)</u>	<u>(4,430,230)</u>
Investing activities:					
Mineral property expenditures	(174,969)	(151,778)	(286,769)	(347,729)	(9,412,023)
Property and equipment expenditures	-	-	-	-	(63,376)
GST and foreign sales tax recoverable	(519)	(722)	-	(25,542)	(239,170)
Accounts payable and accrued liabilities	<u>8,602</u>	<u>36,204</u>	<u>81,611</u>	<u>326,313</u>	<u>1,320,858</u>
	<u>(166,886)</u>	<u>(116,296)</u>	<u>(205,158)</u>	<u>(46,958)</u>	<u>(8,393,711)</u>
Financing activities:					
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>-</u>	<u>-</u>	<u>300,000</u>	<u>12,814,857</u>
Effect of exchange rate change on cash	<u>(12,874)</u>	<u>(47,947)</u>	<u>3,470</u>	<u>(14,466)</u>	<u>14,964</u>
Increase (decrease) in cash and cash equivalents	<u>(233,577)</u>	<u>(185,284)</u>	<u>(527,313)</u>	<u>(84,530)</u>	<u>5,880</u>
Cash and cash equivalents					
Beginning of period	<u>239,598</u>	<u>198,282</u>	<u>533,334</u>	<u>97,528</u>	<u>141</u>
End of period	<u>6,021</u>	<u>12,998</u>	<u>6,021</u>	<u>12,998</u>	<u>6,021</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 and six month periods ended March 31, 2010 and 2009

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 and six months ended March 31, 2010 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.

SIENNA GOLD INC.
(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six month periods ended March 31, 2010 and 2009

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, 2012. 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.

SIENNA GOLD INC.
(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six month periods ended March 31, 2010 and 2009

Note 4 - Mineral properties

Summary of mineral properties

Property and costs	IGOR Concession (Peru) \$	Pele Concession (Peru) \$	La Borrachera Concession (Peru) \$	Total \$
Balance, September 30, 2008	<u>8,850,057</u>	<u>12,534</u>	<u>23,518</u>	<u>8,886,109</u>
Acquisition costs				
Cash	-	-	23,518	23,518
Total acquisition costs	<u>-</u>	<u>-</u>	<u>23,518</u>	<u>23,518</u>
Deferred exploration costs:				
Claims maintenance and staking	302,394	4,202	9,961	334,557
Drilling	178,059	-	-	178,059
Assaying	4,658	-	-	4,658
Environmental	5,851	-	-	5,851
Site visits	2,932	-	-	2,932
Safety and protection	12,103	-	-	12,103
Social development	18,299	-	-	18,299
Management	<u>6,181</u>	<u>-</u>	<u>-</u>	<u>6,181</u>
Total deferred exploration costs	530,477	4,202	9,961	544,640
Write-down of mineral properties	<u>-</u>	<u>(16,736)</u>	<u>(33,479)</u>	<u>(50,215)</u>
Balance, September 30, 2009	<u>9,380,534</u>	<u>-</u>	<u>-</u>	<u>9,380,534</u>
Deferred exploration costs:				
Claims maintenance and staking	138,619	-	-	138,618
Geology	1,228	-	-	1,228
Drilling, road and site preparation	71,013	-	-	71,013
Environmental	3,062	-	-	3,062
Safety and protection	974	-	-	974
Social development	1,531	-	-	1,531
Management	<u>26,891</u>	<u>-</u>	<u>-</u>	<u>26,891</u>
Deferred exploration costs	243,318	-	-	243,318
Drilling costs reversed (Note)	<u>(153,840)</u>	<u>-</u>	<u>-</u>	<u>(153,840)</u>
Net deferred exploration costs	<u>89,478</u>	<u>-</u>	<u>-</u>	<u>89,478</u>
Balance, March 31, 2010	<u>9,470,012</u>	<u>-</u>	<u>-</u>	<u>9,470,012</u>

Note:

Reversal of drilling costs results from the settlement during the period of disputed costs (see - Note 8)

SIENNA GOLD INC.
(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six month periods ended March 31, 2010 and 2009

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.

Restatement

The allocation of deferred exploration costs to sub-accounts at September 30, 2009 has been restated to conform with the allocation adopted in the current quarter. The restatement of deferred exploration costs to sub-accounts at September 30, 2009 and the addition of new and revised descriptions of these sub-accounts at March 31, 2010 was undertaken to more accurately reflect the nature of the deferred exploration costs incurred.

Note 5 – Property and equipment

Property and equipment consist of the following:

	March 31, 2010		
	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Furniture and fixtures	63,377	54,398	8,979
	September 30, 2009		
	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Furniture and fixtures	63,377	52,436	10,941

SIENNA GOLD INC.
(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six month periods ended March 31, 2010 and 2009

Note 6 - Related Party Transactions

Three months ended March 31, 2010:

Directors or companies controlled by directors were paid \$ 11,737 (2009 – \$ 23,751) of which \$ 9,237 is in the period end accounts payable and accrued liabilities, for engineering and other services, and a law firm of which a director is a partner was paid \$ 2,894 (2009 - \$ 4,656). As at March 31, 2010 \$ 37,948 was included in accounts payable and accrued liabilities.

Six months ended March 31, 2010:

Directors or companies controlled by directors were paid \$ 35,589 (2009 – \$ 19,183) of which \$ 9,237 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 \$ 6,409 (2009 - \$ 32,024). As at March 31, 2010 \$ 37,948 was included in accounts payable and accrued liabilities.

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 March 31, 2010, the estimated present value of the Company's asset retirement obligation was \$ 13,609 based on an estimated fair value of \$ 13,609, 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>2,776</u>
Asset retirement obligation at September 30, 2009	12,221
Accretion expense	<u>1,388</u>
Asset retirement obligation at March 31, 2010	<u>13,609</u>

SIENNA GOLD INC.
(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six month periods ended March 31, 2010 and 2009

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>
Balance September 30, 2009	51,307,646	16,678,092
Shares issued in settlement of debt	<u>1,500,000</u>	<u>180,000</u>
Balance March 31, 2010	<u>52,807,646</u>	<u>16,858,092</u>

Common Share Purchase Warrants	Number	Amount	Expiry Date	Exercise Price
		\$		
Balance, September 30, 2008	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>		
Balance March 31, 2010 and September 30, 2009	<u>6,666,666</u>	<u>448,639</u>		

SIENNA GOLD INC.
(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six month periods ended March 31, 2010 and 2009

Note 8 – Share Capital - continued

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

Fiscal 2010 Transactions

On March 25, 2010 the Company entered into a debt settlement agreement whereby US \$377,432 of drilling costs were settled with the payment of US \$50,000 and the issuance of 1,500,000 common shares of the Corporation at a fair value of \$0.12 per share, being the trading value of the corporations shares on that date. The transaction was accounted for as a \$180,000 issuance of common shares and a reversal of \$ 153,840 of drilling costs previously capitalized as deferred exploration costs.

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 0.000008333% 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.

SIENNA GOLD INC.
(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six month periods ended March 31, 2010 and 2009

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	350,000	0.30
Expired	<u>(30,000)</u>	<u>0.70</u>
Options outstanding, March 31, 2010	<u>4,410,000</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
600,000	600,000	\$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>4,410,000</u>	<u>3,585,000</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:

	Year ended September 30, 2009
Dividend yield	Nil
Expected volatility	96%
Risk free rate of return	2.51%
Expected life of options	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, \$ 132,454 (March 31, 2009 - \$ 18,258) was recorded as an expense in the year with an offsetting credit to contributed surplus. An unamortized balance of \$ 46,369 (March 31, 2009 - \$ Nil) remains, which will be expensed over the remaining vesting period.

SIENNA GOLD INC.
(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six month periods ended March 31, 2010 and 2009

Note 8 – Share Capital – Continued

(c) Earnings Per Share

All of the warrants, agents' options and stock options outstanding at March 31, 2010 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:

	March 31, 2010	September 30, 2009
Warrants - expiring		
December 10, 2010	1,200,000	1,200,000
August 28, 2010	1,358,499	1,358,499
September 10, 2010	4,108,167	4,108,167
Agent units/warrants	444,967	444,967
Stock options	4,310,000	3,990,000
Property acquisition options	100,000	100,000
Property acquisition (Note 14)	<u>355,000</u>	<u>-</u>
	<u><u>11,876,633</u></u>	<u><u>11,201,633</u></u>

Note 9 – Contributed Surplus

	\$
Balance, September 30, 2008	1,202,763
Stock option compensation	82,258
Agent option issued	28,829
Warrants Expired	<u>1,203,196</u>
Balance, September 30, 2009	2,517,046
Stock option compensation	<u>132,454</u>
Balance, March 31, 2010	<u><u>2,649,500</u></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 and six month periods ended March 31, 2010 and 2009

Note 11 – Financial Instruments

a) Fair value of financial instruments:

The Company's financial instruments as at March 31, 2010 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:

	March 31, 2010	September 30, 2009
	\$	\$
Cash and cash equivalents	6,021	533,334
GST and Foreign Sales Tax Recoverable	<u>17,345</u>	<u>32,830</u>
	<u>23,366</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 March 31, 2010, the Company's receivables consisted of \$ 17,345 (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 March 31, 2010, 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.

SIENNA GOLD INC.
(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six month periods ended March 31, 2010 and 2009

Note 12 - Supplemental Cash Flow Information

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

	March 31, 2010	September 30, 2009
Drilling costs reversed (Note 8)	153,840	-
Shares issued in settlement of debt	180,000	-
Transfer from warrants to contributed surplus	-	1,203,196

Supplemental information regarding other cash transactions is as follows:

	March 31, 2010	September 30, 2009
Cash taxes paid	-	-
Cash interest paid	-	-

Note 13 – Segmented Information

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

	Loss for the Period		
	<u>Canada</u>	<u>Peru</u>	<u>Total</u>
	\$	\$	\$
March 31, 2010	249,609	53,560	303,169
March 31, 2009	303,243	167,259	475,502
	Identifiable Assets		
	<u>Canada</u>	<u>Peru</u>	<u>Total</u>
	\$	\$	\$
March 31, 2010	24,105	9,478,253	9,502,358
September 30, 2009	441,273	9,516,366	9,957,639

Note 14 – Subsequent Events

The Company's subsidiary, Sienna Minerals S.A.C., entered into an agreement during the quarter to acquire approximately 300 net hectares of land contiguous to the IGOR concession. The consideration of US \$ 55,000, which amount can be settled with the issuance of 355,000 common shares of Sienna Gold valued at \$ 0.155 per share. The transaction has not closed due to questions concerning title. The Company has reserved 355,000 common shares.

On May 3, 2010 the Company closed a private placement for the issuance of 7,531,250 units at \$0.12 per unit for gross proceeds of \$903,750, each unit consist of one common share and one common share purchase warrant. Each warrant entitles the holder to subscribe for one additional share for \$0.18 for a period of two years from closing. If during the two year period the shares trade at \$0.30 or above for 20 business days the Corporation may give the holders 30 days notice to exercise the warrants and all unexercised warrants at the end of that period will expire. Sienna issued 503,150 agents' options to the Agent on closing, each agents' option will entitle the Agent to purchase a unit at \$0.12 for two years from closing. Proceeds will be used for further exploration work on the Corporation's Igor mine project in Peru and for general working capital.