

Sienna Gold Inc.
(An Exploration Stage Company)

Interim Consolidated Financial Statements

Three and nine month periods ended

June 30, 2011 and 2010

(Unaudited)

SIENNA GOLD INC.

To the Shareholders of Sienna Gold Inc.:

The attached Interim Consolidated Statements of Operations, for the three and nine month periods ended June 30, 2011 and 2010, the Interim Consolidated Balance Sheet as at June 30, 2011 and the Interim Consolidated Statements of Cash Flows for the three and nine month periods ended June 30, 2011 and 2010, have neither been audited or reviewed by our auditors.

Calgary, Alberta

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

As at

	June 30, 2010 (Unaudited) \$	September 30, 2010 (Audited) \$
ASSETS		
Current		
Cash and cash equivalents	7,385,014	50,030
GST and foreign sales tax recoverable	<u>202,136</u>	<u>52,033</u>
	7,587,150	102,063
Mineral properties (Note 4)	11,780,498	9,990,133
Property and equipment (Note 5)	<u>12,040</u>	<u>7,450</u>
	<u>19,379,688</u>	<u>10,099,646</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	164,516	252,933
Asset retirement obligation (Note 7)	<u>17,079</u>	<u>14,997</u>
	<u>181,595</u>	<u>267,930</u>
Nature of business and continuing operations (Note 1)		
Subsequent events (Note 14)		
Shareholders' Equity		
Share capital (Note 8)		
Common shares	25,568,264	17,283,545
Common share purchase warrants	2,662,056	932,094
Contributed surplus (Note 9)	3,596,096	2,875,075
Deficit	<u>(12,628,323)</u>	<u>(11,258,998)</u>
	<u>19,198,093</u>	<u>9,831,716</u>
	<u>19,379,688</u>	<u>10,099,646</u>

The accompanying notes to the interim 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 June 30		For the Nine Months Ended June 30		Cumulative from the initiation of exploration for precious and base metals on July 1, 2004 to June 30, 2011
	2011 (Unaudited) \$	2010 (Unaudited) \$	2011 (Unaudited) \$	2010 (Unaudited) \$	(Unaudited) \$
Expenses					
General and administration	300,763	113,317	858,268	286,846	4,103,063
Interest on notes and advances	-	-	-	-	30,791
Premises	2,812	3,730	8,949	12,508	446,866
Transfer, listing fees and shareholder communications	29,111	17,547	131,982	59,893	782,860
Mineral and exploration costs (Note 4)	-	-	-	-	244,254
Stock-based compensation (Note 9)	64,460	25,086	210,262	157,540	1,761,988
Accretion expense (Note 7)	694	694	2,082	2,082	15,966
Depreciation	921	886	2,293	2,848	58,220
Foreign exchange loss (gain)	<u>251,272</u>	<u>5,426</u>	<u>160,246</u>	<u>(51,613)</u>	<u>28,736</u>
Loss and comprehensive loss before the following:	650,033	166,686	1,374,082	470,104	7,472,744
Interest income	(3,420)	(120)	(4,757)	(369)	(114,410)
Write-down of mineral properties (Note 4)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,100,908</u>
Net loss and comprehensive loss	646,613	166,566	1,369,325	469,735	9,459,242
Deficit, beginning of period	<u>11,981,710</u>	<u>10,696,459</u>	<u>11,258,998</u>	<u>10,393,290</u>	<u>3,169,081</u>
Deficit, end of period	<u>12,628,323</u>	<u>10,863,025</u>	<u>12,628,323</u>	<u>10,863,025</u>	<u>12,628,323</u>
Loss per common share, basic and diluted	0.01	0.01	0.01	0.01	
Basic and Diluted Weighted average number of common shares outstanding	<u>96,869,685</u>	<u>54,135,986</u>	<u>85,198,219</u>	<u>53,030,507</u>	

The accompanying notes to the interim 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 June 30		For the Nine Months Ended June 30		Cumulative from the initiation of exploration for precious and base metals on July 1, 2004 to June 30, 2011 (Unaudited) \$
	2011 (Unaudited) \$	2010 (Unaudited) \$	2011 (Unaudited) \$	2010 (Unaudited) \$	
Cash provided by (used for):					
Operating activities:					
Net loss and comprehensive loss	(646,613)	(166,566)	(1,369,325)	(469,735)	(9,459,240)
Adjustments for:					
Write-down of mineral properties (Note 4)	-	-	-	-	2,100,908
Depreciation	921	886	2,293	2,848	58,220
Stock-based compensation	64,460	25,086	210,262	157,540	1,761,988
Accretion expense	694	694	2,082	2,082	15,966
Foreign exchange gain	(35,204)	(967)	(126,230)	39,013	(182,640)
Shares for interest	-	-	-	-	34,361
Shares for services	-	10,000	-	10,000	10,000
Interest reversal	-	-	-	-	-
Salary reversal	-	-	-	-	(36,992)
	<u>(615,742)</u>	<u>(130,867)</u>	<u>(1,280,918)</u>	<u>(258,252)</u>	<u>(5,697,429)</u>
Asset retirement obligations settled	-	-	-	-	(33,607)
Changes in non-cash working capital items					
Rental deposit	-	-	-	-	15,634
GST and foreign sales tax recoverable	10,858	7,321	39,558	22,805	190,769
Prepaid expenses	-	-	-	-	(15,634)
Accounts payable and accrued liabilities	165,819	117,978	(186,364)	(249,586)	(791,789)
	<u>(439,065)</u>	<u>(5,568)</u>	<u>(1,427,724)</u>	<u>(485,033)</u>	<u>(6,332,056)</u>
Investing activities:					
Mineral property expenditures	(790,471)	(375,625)	(1,805,401)	(508,554)	(11,594,922)
Property and equipment expenditures	(2,962)	-	(6,883)	-	(70,259)
GST and foreign sales tax recoverable	1,476	-	(189,662)	-	(392,906)
Accounts payable and accrued liabilities	(131,356)	3,871	97,946	85,482	1,427,076
	<u>(923,313)</u>	<u>(371,754)</u>	<u>(1,904,000)</u>	<u>(423,072)</u>	<u>(10,631,010)</u>
Financing activities:					
Common shares and warrants issued	875,546	736,150	11,099,765	736,150	25,436,435
Share issue expenses	-	(123,359)	(574,326)	(123,359)	(1,532,901)
Deferred financing costs	-	-	-	-	(98,145)
Agents' units exercised	-	-	-	-	-
Warrants exercised	-	-	-	-	-
Options exercised	-	-	-	-	-
Advances from related parties	-	-	-	-	54,997
Notes payable	-	-	-	-	340,000
	<u>875,546</u>	<u>612,791</u>	<u>10,525,439</u>	<u>612,791</u>	<u>24,200,386</u>
Effect of exchange rate change on cash	<u>50,243</u>	<u>(828)</u>	<u>141,269</u>	<u>2,642</u>	<u>147,553</u>
Increase (decrease) in cash and cash equivalents	<u>(436,589)</u>	<u>234,641</u>	<u>7,334,984</u>	<u>(292,672)</u>	<u>7,384,873</u>
Cash and cash equivalents					
Beginning of period	<u>7,821,603</u>	<u>6,021</u>	<u>50,030</u>	<u>533,334</u>	<u>141</u>
End of period	<u>7,385,014</u>	<u>240,662</u>	<u>7,385,014</u>	<u>240,662</u>	<u>7,385,014</u>

Supplemental Cash Flows information (Note 12)

The accompanying notes to the interim 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 nine month periods ended June 30, 2011 and 2010

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 nine months ended June 30, 2011 are not necessarily indicative of the results of operations or cash flows to be expected for the year ending September 30, 2011.

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, 2010. 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, 2010.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine month periods ended June 30, 2011 and 2010

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.

While the Company has begun assessing the adoption of IFRS for fiscal 2012, the Company has not yet prepared a complete IFRS changeover plan (the “IFRS Plan”), but has completed a high-level scoping study to consider the potential impact of the implementation of IFRS on the Company’s financial reporting. The Company believes that the primary impact of IFRS will be:

- IFRS 1 – First-time adoption of IFRS
- IFRS 2 – Share Based Payments
- IFRS 6 – Exploration and evaluation of mineral resources
- IAS 16 – Property, plant and equipment
- IAS 36 – Impairment of Assets

IFRS will not only impact the presentation and disclosure of items in the financial statements but also the determination of future net income or loss and the measurement of balance sheet items.

SIENNA GOLD INC.
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine month periods ended June 30, 2011 and 2010

Note 4 - Mineral properties

Summary of mineral properties

Property and costs	IGOR Concession (Peru) \$	IGOR South Concession (Peru) \$	Total \$
Balance, September 30, 2009	<u>9,380,534</u>	<u>-</u>	<u>9,380,534</u>
Acquisition costs			
Cash	-	17,152	17,152
Shares	-	<u>55,000</u>	<u>55,000</u>
Total acquisition costs	<u>-</u>	<u>72,152</u>	<u>72,152</u>
Deferred exploration costs:			
Drilling, road and site preparation	414,483	-	414,483
Claims maintenance and staking	194,962	-	194,962
Management	50,449	-	50,449
Assaying	17,940	-	17,940
Social development	6,991	-	6,991
Environmental	2,424	-	2,424
Geophysical Survey	1,228	-	1,128
Safety and protection	1,108	-	1,108
Mapping and Sampling	1,106	-	1,106
Site visits	<u>596</u>	<u>-</u>	<u>596</u>
Deferred exploration costs	691,287	-	691,287
Deferred cost reversed (Note 8)	<u>(153,840)</u>	<u>-</u>	<u>(153,840)</u>
	<u>537,447</u>	<u>-</u>	<u>537,447</u>
Balance, September 30, 2010	<u>9,917,981</u>	<u>72,152</u>	<u>9,990,133</u>
Deferred exploration costs:			
Claims maintenance and staking	352,339	-	352,339
Drilling, road and site preparation	1,218,410	-	1,218,410
Assaying	116,075	-	116,075
Surface Rights	14,006	-	14,006
Engineering	10,495	-	10,495
Site Visits	21,604	-	21,604
Social Development	3,234	-	3,234
Management	54,202	-	54,202
Deferred exploration costs	<u>1,790,365</u>	<u>-</u>	<u>1,790,365</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Balance, June 30, 2011	<u>11,708,346</u>	<u>72,152</u>	<u>11,780,498</u>

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.

SIENNA GOLD INC.
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine month periods ended June 30, 2011 and 2010

Note 4 - Mineral properties - Continued

(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.

The estimated license fees for calendar 2011 payable June 30, 2012 is US \$ 3,000.

(b) IGOR South Concession

The concession comprising approximately 400 hectares was acquired in 2010 for 355,000 common shares valued at \$ 0.155 per share for a total consideration of \$ 55,000. The property is contiguous to and south east of the IGOR concession.

The estimated license fees for calendar 2010 payable June 30, 2011 is US \$ 1,200.

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 norms 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:

	June 30, 2011		
	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Furniture and fixtures	70,260	58,220	12,040
	September 30, 2010		
	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Furniture and fixtures	63,377	55,927	7,450

SIENNA GOLD INC.
(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine month periods ended June 30, 2011 and 2010

Note 6 - Related Party Transactions

Three months ended June 30, 2011:

Directors or companies controlled by directors were paid \$ Nil (2010 – \$9,411) for engineering and other services, and a law firm of which a director is a partner was paid \$ 13,441 (2010 - \$ 34,593). As at June 30, 2011 \$ 7,073 was included is accounts payable and accrued liabilities.

Nine months ended June 30, 2011:

Directors or companies controlled by directors were paid \$ 31,500 (2010 – \$35,589) for engineering and other services, and a law firm of which a director is a partner was paid \$ 94,311 (2010 - \$41,002) As at June 30, 2011 \$ 7,073 was included is 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 June 30, 2011, the estimated present value of the Company's asset retirement obligation was \$ 17,079 based on an estimated fair value of \$ 17,079, 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, 2010	12,221
Accretion expense	<u>2,776</u>
Asset retirement obligation at September 30, 2010	14,997
Accretion expense	<u>2,082</u>
Asset retirement obligation at June 30, 2011	<u>17,079</u>

SIENNA GOLD INC.
(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine month periods ended June 30, 2011 and 2010

Note 8 – Share Capital

(a) Authorized:

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

Shares	Number	Amount \$
Balance, September 30, 2009	51,307,646	16,678,092
Shares issued in settlement of debt	1,500,000	180,000
Shares issued for consulting fees	83,333	10,000
Shares issued for property acquisition	355,000	55,000
Private placement, April 30, 2010	7,801,250	936,150
Value assigned to warrants	-	(460,427)
Agents options exercised	392,159	47,059
Agents warrants exercised	1,334	240
Fair value of agents options exercised	-	27,263
Fair value of agents warrants exercised	-	79
Share issue costs	-	<u>(189,911)</u>
Balance, September 30, 2010	61,440,722	17,283,545
Private placement		
November 8, 2010	5,294,120	915,120
Value assigned to warrants	-	(531,646)
March 24, 2011	17,500,000	6,903,400
Value assigned to warrants	-	(2,267,615)
Warrants exercised	14,952,683	3,177,679
Fair value of warrants exercised	-	963,966
Agent options exercised	246,000	36,900
Fair value of agents option exercised	-	8,551
Agent warrants exercised	266,667	66,667
Fair value of agents warrants exercised	-	16,577
Share issue costs		
November 2010	-	(158,993)
March 2011	-	<u>(845,887)</u>
Balance June 30, 2011	<u>99,700,192</u>	<u>25,568,264</u>

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine month periods ended June 30, 2011 and 2010

Note 8 – Share Capital - continued

Common Share Purchase Warrants	Number	Amount	Expiry Date	Exercise Price
		\$		
Balance, September 30, 2009	6,666,666	448,639		
Private placement				
April 30, 2010	7,801,250	460,427	May 01, 2012	\$ 0.18
Issued on exercise of Agents units/option	392,159	23,107	May 01, 2012	\$ 0.18
Warrants exercised	<u>(1,334)</u>	<u>(79)</u>		
Balance, September 30, 2010	14,858,741	932,094		
Private placement				
November 8, 2010	5,294,120	531,646	November 9, 2011	\$ 0.26
March 24, 2011	17,500,000	2,267,615	March 25, 2012	\$ 0.60
Issued on exercised of agents units/option	123,000	7,247	May 16, 2012	\$ 0.18
Warrants expired	(1,200,000)	(112,580)	December 10, 2010	\$ 0.35
Warrants expired	(175)	-	May 16, 2011	\$ 0.18
Warrants exercised				
September 2009	(8,314,900)	(343,306)	February 28, 2011	\$ 0.25
April 30, 2010	(5,466,666)	(129,958)	May 16, 2011	\$ 0.18
November 20, 2010	<u>(1,294,117)</u>	<u>(490,702)</u>	November 9, 2011	\$ 0.26
Balance June 30, 2011	<u>21,500,003</u>	<u>2,662,056</u>		

Fiscal 2011 Transactions

On March 24, 2011 the Company closed a private placement for the issuance of 17,500,000 units at US \$ 0.40 per unit for gross proceeds of CDN \$ 6,903,400 (US \$ 7,000,000). Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to subscribe for one additional common share for \$ 0.60 for a period of one year from closing. Agents assisting in the private placement were paid US \$ 454,300 and granted 1,135,930 units. The units entitle the holder to acquire one common share of the corporation for US \$ 0.40 and receive one common share purchase warrant, each common share purchase warrant entitle the holder to acquire a common share for \$ 0.60 per share for a period of one year from closing. The Company has assigned \$ 2,267,615 to the warrants based on the estimated fair value using a Black-Scholes option value model with the balance of \$ 4,635,785, assigned to the shares. The Company has assigned \$ 345,528 to the units based on the estimate FMV using Black-Scholes option value model. These costs have been recorded as share issue costs.

On November 8, 2010 the Company closed a private placement for the issuance of 5,294,120 units at US \$ 0.17 per unit for gross proceeds of US \$ 900,000 (CDN \$ 915,120). Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to subscribe for one additional common share for \$ 0.26 for a period of one year from closing. Agents assisting in the private placement were paid US \$ 63,000 and granted 370,588 units. The units entitle the holder to acquire one common share of the Company for US \$ 0.17 and receive one common share purchase warrant, each common share purchase warrant entitle the holder to acquire a common share for \$ 0.26 per share for a period of one year from closing. The Company has assigned \$ 531,646 to the warrants based on the estimated fair value using a Black-Scholes option value model with the balance of \$ 383,474, assigned to the shares. The Company has assigned \$ 85,026 to the units based on the estimated FMV using Black-Scholes option value model. These costs have been recorded as share issue costs.

On December 19, 2010, 1,200,000 warrants with an exercise price of \$ 0.35 expired unexercised.

SIENNA GOLD INC.
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine month periods ended June 30, 2011 and 2010

Note 8 – Share Capital - continued

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 Company's 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.

On April 30, 2010 the Company closed a private placement for the issuance of 7,801,250 units at \$ 0.12 per unit for gross proceeds of \$ 936,150, each unit consisting 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 closing price of the common shares on the TSX Venture Exchange is \$ 0.30 or higher for 20 consecutive trading days, the expire date of the Warrants may be accelerated by the Company issuing a press release notifying Warrant holders of an accelerated expiry date no less than 30 calendar days subsequent to the date of such press release. The Company has assigned \$ 460,427 to the warrants based on the estimated fair value using a Black-Scholes option value model with the balance of \$ 475,723, assigned to the shares. Agents assisting in the private placement were paid \$ 62,178 and were granted 518,150 units at \$ 0.12 per unit which expire two years after closing. The Units entitle the holder to acquire one common share of the Corporation at \$ 0.12 and receive one common share purchase warrant, the common share purchase warrants entitle the holder to acquire one common share at \$ 0.18 per share for a period of two years from closing. The Company has assigned \$ 66,553 to the units based on the estimated FMV using Black-Scholes option value model. These costs have been recorded as share issue costs.

On June 17, 2010 the Company issued 83,333 common shares in settlement of \$ 10,000 in consulting fees with the fair value of the share being the trading value of the Company's shares on that date.

On August 19, 2010 the Company's subsidiary, Sienna Minerals S.A.C., completed the acquisition of the Vena concession comprising approximately 400 hectares of land contiguous to the IGOR concession. The consideration of US \$ 55,000 was settled with the issuance of 355,000 common shares of Sienna Gold valued at \$ 0.155 per share and US \$ 5,000 cash with the fair value of the share, being the trading value of the Company's share on that date.

On August 26, 2010 the Company received approval to extend the expiry date on the warrants expiring on August 28, and September 10, 2010 to February 28, 2011.

(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.

SIENNA GOLD INC.
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine month periods ended June 30, 2011 and 2010

Note 8 – Share Capital – continued

Details of the stock options are as follows:

	Shares Number	Weighted Average Exercise Price \$
Options outstanding, September 30, 2009	4,090,000	0.34
Granted	2,915,000	0.25
Expired	(1,310,000)	0.31
Expired	<u>(175,000)</u>	<u>0.30</u>
Options outstanding, September 30, 2010	5,520,000	0.35
Granted	250,000	0.25
Expired	(175,000)	1.15
Expired	<u>(175,000)</u>	<u>0.30</u>
Options outstanding, June 30, 2011	<u>5,420,000</u>	<u>0.36</u>

Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
705,000	710,000	\$ 0.70	January 22, 2012
600,000	600,000	\$ 0.70	November 16, 2012
1,300,000	1,300,000	\$ 0.25	September 1, 2014
2,565,000	1,282,500	\$ 0.25	September 14, 2015
<u>250,000</u>	<u>125,000</u>	\$ 0.25	January 6, 2016
<u>5,420,000</u>	<u>4,017,500</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 June 30, 2011	Year ended September 30, 2010
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, \$ 210,262 (June 30, 2010 – \$157,540) was recorded as an expense in the year with an offsetting credit to contributed surplus. An unamortized balance of \$ 61,451 (June 30, 2010 - \$46,369) remains, which will be expensed over the remaining vesting period.

(c) Earnings Per Share

For the three and nine months ended June 30, 2011, 11,436,179 and 10,161,179 respectively, 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.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine month periods ended June 30, 2011 and 2010

Note 8 – Share Capital - continued

(d) Shares Reserved – Common Shares

Shares are reserved for the following potential issuances:

	June 30, 2011	September 30, 2010
Private Placement		
December 10, 2008	-	1,200,000
September 10, 2009	-	5,466,666
April 30, 2010	-	7,801,250
November 8, 2010	4,000,003	-
March 14, 2011	17,500,000	-
Agent units/warrants	3,291,176	642,807
Stock options	<u>5,420,000</u>	<u>5,510,000</u>
	<u>30,211,179</u>	<u>20,620,723</u>

Note 9 – Contributed Surplus

	\$
Balance, September 30, 2009	2,517,046
Stock option compensation	341,846
Agents options issued	66,553
Agents options exercised	<u>(50,370)</u>
Balance, September 30, 2010	2,875,075
Stock option compensation	210,262
Warrants expired	112,580
Agents options issued	430,554
Agents options exercised	<u>(32,375)</u>
Balance, June 30, 2011	<u>3,596,096</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.

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.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine month periods ended June 30, 2011 and 2010

Note 11 – Financial Instruments

a) Fair value of financial instruments:

The Company's financial instruments as at June 30, 2011 and September 30, 2010 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:

	June 30, 2011	September 30, 2010
	\$	\$
Cash and cash equivalents	7,385,014	50,030
GST and Foreign Sales Tax Recoverable	<u>202,136</u>	<u>52,033</u>
	<u>7,587,150</u>	<u>102,063</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 June 30, 2011, the Company's receivables consisted of \$ 202,136 (September 30, 2010 - \$ 52,033) 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 June 30, 2011, 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.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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Note 12 - Supplemental Cash Flow Information

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

	2011	2010
Drilling costs reversed (Note 8)	-	153,840
Shares issued in settlement of debt	-	180,000
Transfer from warrants to contributed surplus	112,580	-
Transfer from contributed surplus to share capital	32,375	-
Transfer from warrants to share capital	956,719	-

Supplemental information regarding other cash transactions is as follows:

	June 30, 2011	September 30, 2010
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>
	\$	\$	\$
June 30, 2011	899,562	469,763	1,369,325
June 30, 2010	439,229	81,886	469,735
	Identifiable Assets		
	<u>Canada</u>	<u>Peru</u>	<u>Total</u>
	\$	\$	\$
June 30, 2011	7,343,547	12,036,141	19,379,688
September 30, 2010	46,977	10,052,669	10,099,646

Note 14 – Subsequent Events

Subsequent to June 30, 2011, 147,059 warrants have been exercised for gross proceeds of \$ 38,235.