Sienna Gold Inc.

SIENNA GOLD INC.

Management's Discussion and Analysis
Of Financial Condition and Results of Operation
For the Three months ended December 31, 2012

Management's discussion and analysis (MD&A) is dated February 25, 2013 and is management's assessment of the operations and the financial results together with future prospects of SIENNA GOLD INC. ("Sienna" or the "Company"). This MD&A should be read in conjunction with the unaudited consolidated financial statements of the Company and the notes thereto for the three months ended December 2012 and 2011, and the audited consolidated financial statements for the years ended September 30, 2012 and 2011 and related notes, prepared in accordance with international financial reporting standards. Additional information relevant to Sienna's activities, including Sienna's press releases can be found on SEDAR at www.sedar.com and on the Company's website at (www.siennagold.com)

All references to "dollars" or "$" are in United States dollars unless noted otherwise.

Comparative Information

The Company has restated all prior year figures in accordance with IFRS.

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of Sienna to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of Sienna to fund the capital and operating expenses necessary to achieve the business objectives of Sienna, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by Sienna. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of Sienna should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this document are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

1. Outlook and Company Highlights

The principal business of Sienna since 2004 has been to acquire and explore mineral properties in Peru. Sienna is currently focused on exploring and developing the IGOR property while continuing to investigate other properties in South America.

During this year ended September 30, 2012 the Company completed sufficient exploration in order to complete a NI 43-101 compliant resource calculation (the “NI 43-101”) on the Callanquitas Structure for the Callanquitas area. During this quarter the NI 43-101 was completed and filed on SEDAR on December 17, 2012.

The NI 43-101 can be viewed in its entirety on SEDAR, or on the Company’s web site at www.siennagold.com.

The Company now has a resource estimate of 932,500 Gold Equivalent (“GE”) ounces which substantially meets its stated target at the beginning of the 2012 fiscal year. The inferred resource consists of 730,500 GE ounces at 1.5 gram cut off at Callanquitas, plus the 202,000 GE ounces previously reported in 2008 on the Domo and Tesoros zones of IGOR, which are on the Eastern side of the property.

Completing this report did contribute to a substantial increase, in the expense category of “Transfer, listing fees, and shareholder communications” from $27,569 in the comparative quarter to $113,770.

The Company looks forward to expanding the Callanquitas resource, and upgrading the Domo and Tesoros resource. Through mapping, sampling and drilling of the IGOR project the Company believes that the project contains over eight (8) Km. of strike length of which approximately one (1) km has been drilled. To this end the Company is planning a 20,000 to 30,000 metre drilling program; subject to funding and equipment availability,

The Company’s future is very positive. With the completion of the NI 43-101 and the establishment of approximately 1,000,000 GE ounces, the Company has a solid asset base, with excellent potential for growth

2. Recent Highlights

On October 26 and November 14, 2012 the Company closed a private placement for the issuance of 5,615,363 units at $ 0.30 per unit for gross proceeds of $ 1,684,609. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to subscribe for one additional common share for $0.45 for a period of one year from closing. Agents assisting in the private placement were paid $ 100,850 and granted options to acquire 336,167 units. The units entitle the holder to acquire one common share of the corporation for $ 0.30 and receive one common share purchase warrant; each common share purchase warrant entitles the holder to acquire a common share for $ 0.45 per share for a period of one year from closing.

The fair value of the warrants and agents options issued was estimated on the date of issue using the Black-Scholes option value model with the following weighted average assumptions:

Dividend yield	Nil
Risk–free interest rate (%)	1.10
Expected life (years)	1
Expected volatility (%)	70

3. Results of Operations

Three months ended December 31, 2012

The following table sets out selected financial information of Sienna and is derived from the Company's unaudited interim condensed consolidated financial statements for the periods ended December 31, 2012 and December 31, 2011.

	Period ended December 31, 2012 $	Period ended December 31, 2011 $
Revenue	Nil	Nil
Fair market value adjustment	(36,976)	(469,929)
Finance Income	(6)	3,682
Finance Loss	3,473	14,878
Loss for the period	563,310	207,252
Loss per share – Basic and diluted	0.005	0.002
Total Assets	21,541,256	18,112,330
Total long-term liabilities	16,475	14,377
Dividends declared	Nil	Nil

In August 2012 Sienna completed the 2011-2012 15,000 meter drill program designed to enhance the geological knowledge of the Callanquitas structure identified in the 2010-2011 exploration program. In addition the Company completed the acquisition of 200 hectares of surface rights during the three months ended December 31, 2012. A further 128 hectares is expected to be acquired during 2013.

Sienna incurred a net loss of $ 563,510 or $ 0.005 per share for the three months ended December 31, 2012 compared to a loss of $ 207,252 or $ 0.002 per share for the three months ended December 31, 2011. The major items causing the increase/decrease are as follow:

Fair market value adjustment resulted in a gain of $ 36,976 for the three months compared to a gain of $ 469,929 for three months ended December 31, 2011. Please see below for an explanation of why this number fluctuates. The fair market value adjustment for the current period results from the reduction of the time remaining to the expiry date of the warrants.

Finance income/loss includes the fair market value adjustment ("FMVA") with respect to the Company's issued and outstanding warrants which are denominated in Canadian dollars, interest and other income, foreign exchange and accretion expense. The FMVA with respect to the Company's issued and outstanding Canadian dollar denominated warrants represents the change in valuation of these warrants from the previous reporting period based on the Black-Scholes option pricing model. The change in valuation is reported as finance income or loss. The warrants entitle the holder to acquire a fixed number of common shares for a fixed Canadian dollar price per share. An obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of profit and loss and comprehensive profit and loss as they arise.

Premises increased by $ 3,077 to $ 18,880 compared to $ 15,803 in 2011. The increase in premises is attributable to the Company's move and an increase of office space.

Transfer listing fees and shareholder communications increased by $ 86,191 to $ 113,770 compared to $ 27,579 in the three months ended December 31, 2011. The major item causing the increase/decrease is as follows:

> Consulting fees increased by $ 92,239 to $ 105,211 compared to $ 12,972 due to the cost of preparing the NI 43-101 technical report and engaging FronTier Consulting to complete a "Financial Market Consulting Campaign".

Share-based compensation decreased by $ 278,925 to $ 77,076 compared to $ 356,001 for 2011 resulting from the issuance of stock options to directors, officers, employees and consultants on November 24, 2011 and the issuance of options to a new director in April 2012. The Company uses the Black-Scholes valuation model to value share-based compensation.

General and administrative expenses increased by $ 117,025 to $ 381,988 compared to $ 264,963 in 2011. The composed of General and Administration are as follows:

	December 31, 2012	December 31, 2011
	$	$
Lima, Peru – office costs	256,122	148,748
Professional fees	19,829	16,039
Salaries	64,459	56,050
Travel and entertainment	25,904	25,493
Office and other costs	15,670	18,633
Total general and administrative costs	381,984	264,963

Lima office costs increased by $ 107,376 to $ 256,124 compared to the same period in 2011 $ 148,748 The increase in Lima office cost is attributable to the Company increasing its Lima office staff due to the increased drilling activity during 2012 which continued thru the quarter ended December 31, 2012.

Salaries increased by $ 8,409 to $ 64,459 compared to $ 56,050. This increase resulted from the addition of administrative staff in the Calgary office.

4. Exploration and Evaluation Assets

IGOR Project

IGOR continues to deliver excellent results, as evidenced by the (NI 43-101) published on December 17, 2012.

The main focus in 2012 was drilling, which resulted in the production of an initial Mineral Resource Estimate (NI 43-101) for the Callanquitas Structure. The estimate was announced in a press release dated November 13, 2012.

The resource estimate shows in a resource of 7.2 million tonnes grading 1.9 grams per tonne (g/t) gold and 71.8 g/t silver; which equates to 3.16 gold equivalent ("Au Eq") g/t using a cut-off grade of 1.5 Au Eq g/t. This is approximately 448,500 ounces of gold and 16,600,000 ounces of silver, which equates to approximately 730,500 Au Eq ounces.

The NI 43-101 was filed on December 17, 2012 and can be viewed on the Company's web site at www.siennagold.com or on SEDAR at www.sedar.com.

"Warren Pratt, Director of Sienna commented "The timely production of the Callanquitas resource estimate was a tremendous step forward for Sienna Gold and Igor. In particular, it demonstrated very high silver grades at a particular topographic elevation. We intend to learn from Callanquitas and use it as the springboard to grow the global resource. Surface sampling and mapping clearly demonstrate the enormous potential of Callanquitas-type structures; there are approximately 8 km that have not been tested with a drill. The future looks very bright."

5. Capital Resources, Capital Expenditures and Liquidity

The Company's working capital deficiency was $ 952,450 as at December 31, 2012. The Company will need to raise additional equity to settle its outstanding obligations, fund future drilling and cover general and administrative expenses.

For the three months ended December 31, 2012, the Company incurred $ 169,847 in deferred exploration costs on its mineral properties.

The exploration activities of the Company will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and development of any of the Company's properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financings will be favorable to the Company. In addition, low commodity prices may affect the Company's ability to obtain financing.

6. Selected Financial Information

Results for the eight most recent quarters ended:

	December 31, 2012 $	**September 30, 2012** $	**June 30, 2012** $	**March 31, 2012** $
Total revenue	Nil	Nil	Nil	Nil
Loss (income)	563,310	290,163	(1,432,963)	2,984,647
Loss (profit) per share	0.005	0.002	(0.014)	0.030

	December 31, 2011 $	**September 30, 2011** $	**June 30, 2011** $	**March 31, 2011** $
Total revenue	Nil	Nil	Nil	Nil
Loss (income)	207,252	21,694	6,501,265	6,679,001
Loss (profit) per share	0.003	0.000	0.067	0.091

7. Related Party Transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details between the Company and other related parties are disclosed below.

(a) Trading transaction

Certain of the Company's officers and directors render services to the Company as sole proprietors or through companies in which they are an officer, director or partner.

	Nature of transactions
Norton Rose LLP	Legal fees
Specialized Geological Mapping	Consulting fees
Fios Consulting Corporation	Consulting fees

The Company incurred the following fees and expenses in the normal course of the operations in connection with related parties. Expenses have been measured at the exchange amount which is determined on a cost recovery basis and has been included in general and administration in the Interim Condensed Consolidated Statement of Loss and Comprehensive Loss.

	Three months Ended December 31, 2012 $	Three months Ended December 31, 2011 $
Legal fees	18,656	7,408
Consulting fees	-	26,591
	18,656	33,999

Amounts due to related parties are unsecured, non-interest bearing and due on demand in Cdn dollars. Accounts payable at December 31, 2012 included $ 101,754 (September 30, 2012 - $ 71,443), which were due to individuals or companies whose officers, directors or partners were also officers or directors of the Company.

Amounts due from a related party are unsecured, non-interest bearing and due on demand in Canadian dollars. Accounts receivable at December 31, 2012 included $ 70,219 (September 30, 2012 - $74,007)

Compensation of key management personnel

Compensation includes salaries paid to the president and chief executive officer, chief financial officer, manager of exploration and amounts paid to directors as consulting fees for their services provided to the Company, as disclosed in related party transactions above, outside of their capacity as a director. Salaries have been included in general and administration in the statement of profit and loss.

	Three months ended December 31, 2012 $	Three months ended December 31, 2011 $
Compensation	108,924	378,795
Share-based compensation	71,063	40,261

8. Disclosure of Outstanding Share Data as of February 21, 2013 and September 30, 2012

	February 21, 2013	September 30, 2012
Voting or equity securities issued and outstanding	112,862,577	107,247,214
Securities convertible or exercisable into voting or equity share		
Warrants expiring, March 25, 2013	17,500,000	17,500,000
Warrants expiring, June 23, 2013	5,746,571	5,746,571
Warrants expiring, October 27, 2013	3,286,667	-
Warrants expiring, November 15, 2013	2,328,696	-
Agent units/warrants	2,612,604	1,940,270
Stock options	8,887,000	9,487,000
	40,361,538	34,673,841

See notes 9, 11 and 12 to the audited consolidated financial statements for the year ended September 30, 2012 and notes 7, 9 and 10 to the unaudited consolidated financial statements for the period ended December 31, 2012 for more detailed disclosure of outstanding shares data.

9. Financial Risk Factors

Financial Instruments

(a) Fair value of financial instruments:

The Company's financial instruments as at December 31, 2012, September 30, 2012 include cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The fair value of cash and cash equivalents, accounts receivable 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, 2012	September 30, 2012
	$	$
Cash and cash equivalents	145,755	34,556
Accounts receivable	888,905	672,906
	1,034,660	707,462

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, 2012, the Company's receivables consisted of $888,905 (September 30, 2012- $ 672,906) from the governments of Canada, Peru and a director.

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, 2012, all of the Company's accounts payable and accrued liabilities mature within one year.

(d) Currency risk:

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Peru and Canada and a portion of its expenses are incurred in Canadian dollars, United Sates dollars and Peruvian Soles. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar and the Peruvian Soles to the US dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. At December 31, 2012 the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars and Peruvian Soles:

	December 31, 2012		
	United States $	Peruvian Soles	Canadian $
Cash and cash equivalents, and short-term investments	101,422	-	44,333
Accounts receivable	-	2,059,474	105,835
Accounts payable and accrued liabilities	(1,046,992)	(2,047,981)	(166,145)

Based on the above net exposures as at December 31, 2012, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an increase/decrease of $ 1,500 in the Company's loss for the year. A 10% depreciation or appreciation of the US dollar against the Peruvian Soles would result in a decrease/increase of $ 1,200 in the Company's loss for the year.

10. Future Accounting Changes

As of January 1, 2013 the following standards and amendments issued by the International Accounting Standards Board ("IASB") become effective:

- IFRS 10, "Consolidated Financial Statements", which is the result of the IASB's project to replace Standing interpretations Committee 12, "Consolidation – Special Purpose Entities" and the consolidation requirements of IAS 27, "Consolidated and Separate Financial Statements. The new standard eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity.

- IFRS 11, "Joint Arrangements", which is the result of IASB's project to replace IAS 31, "Interests in Joint Ventures". The new standard redefines joint operations and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately consolidated.

- IFRS 12, "Disclosure of Interests in Other Entities", which outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risk and financial effects associated with an entity's interests in subsidiaries and joint arrangements.

- IFRS 13, "Fair Value Measurement", which provides a common definition of fair value, establishes a framework for measuring fair value under IFRS and enhances the disclosures required for fair value measurements. The standard applies where fair value measurements are required and does not require new fair value measurements.

- IAS 19, "Employee Benefits", which amends the recognition and measurement of defined benefit pension expense and expands disclosures for all employee benefit plans.

- IFRS 7, "Financial Instruments: Disclosures, which requires disclosure of both gross and net information about financial instruments eligible for offset in the balance sheet and financial instruments subject to master netting arrangements. Concurrent with the amendments to IFRS 7, the IASB also amended IAS 32, "Financial Instruments: Presentation" to clarify requirements for offsetting financial instruments in the balance sheet. The amendments to IAS 32 are effective as of January 1, 2014.

As of January 1, 2015 the following standards and amendments issued by the IASB become effective, IFRS 9, "Financial Instruments", which is the result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement: The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The impairment and hedge accounting principles to be included in IFRS 9 have not yet been issued by the IASB.