



Toronto, Ontario: October 19, 2012 – Galway Resources Ltd. (GWY: TSX-V) (“Galway”) is pleased to announce the execution of an arrangement agreement (the “**Arrangement Agreement**”) with AUX Acquisition 2 S.à.r.l. and its wholly-owned Ontario subsidiary (collectively, “**AUX**”), under which AUX has agreed to acquire all of the outstanding common shares of Galway (other than common shares of Galway held by AUX and its affiliates) (the “**Galway Shares**”) by way of a plan of arrangement (the “**Arrangement**”).

Under the transaction Galway shareholders will receive Cdn\$2.05 in cash, 0.9 of a share in a new company to hold the Vetas gold project and 1.0 share in a new company to hold the Victorio tungsten-molybdenum project. The new companies will be well capitalized with US\$18 million of cash and US\$12 million of cash, respectively. Upon closing of the transaction, existing Galway shareholders will hold 90% of the Vetas SpinCo and 100% of the Victorio SpinCo. AUX will have the right to nominate one director for election to the board of directors of the Vetas SpinCo.

The Cdn\$2.05 per share cash consideration represents a premium of approximately 47% over the volume weighted average trading price of Cdn\$1.39 per Galway Share on the TSX Venture Exchange (“**TSX-V**”) for the 20-trading days ending on October 18, 2012. It is anticipated that the Arrangement will close on or before December 31, 2012.

“We are extremely pleased with this transaction as we believe it represents great value for shareholders. We also look forward to creating ongoing value for Galway shareholders through the advancement of the Vetas and Victorio projects. Both projects have excellent infrastructure and tremendous geological upside,” said Robert Hinchcliffe, President and CEO of Galway. “I’d really like to thank Galway’s employees in Colombia for all their diligent efforts.”

In addition, AUX has entered into lock-up agreements with certain officers and directors of Galway, pursuant to which these shareholders have agreed, subject to certain conditions, to exercise the voting rights attached to their Galway Shares in favour of the Arrangement.

The board of directors of Galway (the “**Board**”), based in part on a fairness opinion from National Bank Financial Inc. that the consideration offered in the Arrangement is fair, from a financial point of view, to Galway shareholders, other than AUX, has unanimously determined that the completion of the Arrangement is in the best interests of Galway shareholders. The Board has unanimously resolved to recommend that Galway’s shareholders vote in favour of the Arrangement.

A summary of the opinion given by National Bank Financial Inc., the factors that were considered by the Board in approving the Arrangement, and other material background information relating to the Arrangement, will be included in the Management Information Circular to be mailed to Galway's securityholders in connection with a special meeting of Galway, which is expected to be held in early to mid December, 2012 (the "**Meeting**") to approve the Arrangement.

Completion of the Arrangement is subject to, among other things, i) the affirmative vote at the Meeting of at least two-thirds (66 2/3%) of the votes cast by all Galway shareholders ii) approval of the Superior Court of Justice of Ontario; and iii) receipt of all required regulatory approvals, including acceptance of the transaction by the TSX-V.

A copy of the Arrangement Agreement will be filed with Canadian securities regulatory authorities and will be available under Galway's profile on the SEDAR website, at www.sedar.com. It is currently expected that the Management Information Circular to be prepared in connection with the Meeting will be mailed to Galway's securityholders in early November, 2012, and those materials will also be available at www.sedar.com.

Galway's financial advisor in connection with the Arrangement is National Bank Financial Inc. and its legal advisor is Stikeman Elliott LLP. AUC's financial advisor is BMO Capital Markets, and its legal counsel is Cassels Brock & Blackwell LLP.

CALIFORNIA RESOURCE ESTIMATE

On [September 12, 2012](#), Galway announced the results of its resources estimate at California conducted by SRK Consulting (U.S.) Inc., in accordance with National Instrument 43-101. The California properties host indicated gold resources of 424,000 ounces in 2.39M tonnes at 5.5 g/t, plus inferred gold resources of 666,000 ounces in 3.85M tonnes at 5.4 g/t at a 2.0 g/t Au cutoff.

Cutoff	Indicated					Inferred				
	Au Grade (g/t)	TONNES	Au (g/t)	Ag (g/t)	Cu (%)	Au Ounces	TONNES	Au (g/t)	Ag (g/t)	Cu (%)
0.25	34,246,800	0.82	4.14	0.062	898,355	114,285,600	0.64	4.01	0.056	2,349,207
0.50	9,315,000	2.05	4.73	0.064	615,371	30,034,800	1.46	4.42	0.060	1,414,263
1.00	5,367,600	3.09	4.96	0.065	533,840	17,069,400	2.08	4.37	0.059	1,142,287
1.25	2,705,400	5.08	6.74	0.071	442,276	4,849,200	4.63	6.44	0.067	721,786

1.50	2,683,800	5.11	6.78	0.071	441,315	4,703,400	4.73	6.28	0.067	715,260
2.00	2,386,800	5.53	6.93	0.072	424,385	3,850,200	5.38	6.36	0.067	666,470
2.25	2,192,400	5.83	7.10	0.072	411,142	3,493,800	5.72	6.54	0.066	642,042
2.50	1,873,800	6.42	7.25	0.071	387,061	2,953,800	6.32	6.46	0.066	600,654
3.00	1,436,400	7.55	7.46	0.072	348,712	2,327,400	7.29	6.49	0.066	545,742
3.50	1,177,200	8.49	7.44	0.073	321,494	1,852,200	8.34	6.74	0.067	496,415
4.00	939,600	9.69	7.93	0.073	292,634	1,517,400	9.36	6.85	0.068	456,467
4.50	810,000	10.56	7.83	0.073	274,922	1,333,800	10.05	7.18	0.069	431,192

VETAS GOLD-SILVER PROJECT: TO BE SPUN OUT INTO A NEW COMPANY WITH US\$18 MILLION CASH. AGGRESSIVE EXPLORATION PROGRAM UNDERWAY - MINERALIZATION OPEN IN ALL DIRECTIONS

The Vetas property contains the high-grade El Volcan gold-silver mine, the largest gold mine in the Vetas and California gold districts and has been in production for over 400 years. Galway began drilling at El Volcan in April, 2011 with the focus to test for a continuation of mineralization below the mine, strike and lateral extensions to the mine as well as to test the 6 surface anomalies that have been identified. The initial corporate goal was to delineate resources of 1,000,000 ounces from Vetas by drilling off an area of 500 m along strike by 500 m depth below the mine workings. Using an average horizontal mining width of 1.5 m, a grade of 15 g/t, and with a 25% success ratio over the mines' 8 veins would give 1,000,000 ounces. **The actual average horizontal mining width has been exceeded, the success ratio has been exceeded, the depth has been exceeded, and the number of veins present is greater than the 8 originally thought to exist.** As such, Galway intends to issue a robust gold and silver resource estimate for Vetas in the second half of 2013.

There are currently two drills operating underground below the mine and one drill set to resume operations now that Galway has received all necessary pad construction approvals. Surface drilling is targeting the stockwork intrusive located west of the mine, in the vicinity of CB Gold's significant discoveries, among other gold-rich anomalies. Galway has more than doubled the depth at which gold mineralization has been identified below the Reina de Oro level to nearly 700 meters, or 860 meters below surface. Galway is also considering the ramping up of drilling at Vetas to three underground and two surface rigs such that a robust resource can quickly be delineated.

Highlights of results from the 52 underground drill holes that have been reported include:

- 1,082.6 g/t gold (Au) and 718.0 g/t silver (Ag) over 1.21 m, plus 77.1 g/t Au and 51.3 g/t Ag over 1.13 m, plus 95.6 g/t Au over 1.26 m, plus 17.8 g/t Au and 77.7 g/t Ag over 2.34 m from GWY-V021
- 1,034.3 g/t Au and 300.0 g/t Ag over 0.91 m, plus 27.4 g/t Au over 3.38 m, including 49.4 g/t Au over 1.16 m from GWY-V027
- 679.6 g/t Au and 164.0 g/t Ag over 1.16 m from GWY-V026
- 203.4 g/t Au and 1,311.0 g/t Ag over 1.25 m from GWY-V029
- 157.4 g/t Au over 4.15 m, including 470.2 g/t Au over 1.33 m from GWY-V036
- 143.7 g/t Au over 1.17 m from GWY-V059
- 82.5 g/t Au and 39.1 g/t Ag over 2.66 m, including 202.0 g/t Au and 53.5 g/t Ag over 1.07 m, plus 21.9 g/t Au and 63.0 g/t Ag over 6.7 m, including 69.1 g/t Au and 81.6 g/t Ag over 1.5 m from GWY-V003
- 78.2 g/t Au over 3.16 m, including 248.3 g/t Au and 38.0 g/t Ag over 0.96 m from GWY-V016
- 34.3 g/t Au and 83.0 g/t Ag over 6.44 m, including 98.8 g/t Au and 154.0 g/t Ag over 1.30 m, plus 18.9 g/t Au over 11.81 m, including 52.9 g/t Au over 1.32 m in GWY-V049
- 15.3 g/t Au and 36.5 g/t Ag over 11.44 m, including 112.3 g/t Au and 34.2 g/t Ag over 0.92 m from GWY-V012
- 8.9 g/t Au and 17.3 g/t Ag over 17.00 m, including 19.7 g/t Au and 22.0 g/t Ag over 1.18 m, 17.7 g/t Au and 49.9 g/t Ag over 4.81 m, and 27.2 g/t Au over 1.05 m from GWY-V056
- 40.4 g/t Au over 3.47 m, including 84.9 g/t Au over 1.16 m, plus 104.4 g/t Au over 1.20 m, plus 41.9 g/t Au over 1.04 m from GWY-V015

Highlights of results from the 16 surface drill holes that have been reported include:

- 26.0 g/t Au and 26.9 g/t Ag over 4.19 m, including 105.0 g/t Au and 76.6 g/t Ag over 1.00 m, plus 29.2 g/t Au over 1.34m in GWY-V061
- 45.9 g/t Au over 1.04 m in GWY-V054
- 17.4 g/t Au over 1.38 m, including 45.2 g/t Au over 0.51 m, plus 4.0 g/t Au over 12.38 m, including 7.8 g/t Au over 1.58 m, 12.0 g/t Au over 0.97 m, and 8.32 g/t Au over 2.30 m in GWY-V028

To date, 45 of the 52 underground holes that have been reported on host at least one assay in excess of 10 g/t Au (the average is 2.8 per hole, or 146 times in total), and all holes except hole 25 contain multiple mineralized intersects. In the first 52 underground drill holes, Galway has intersected 5 g/t Au or more 237 times, 20 g/t Au or more 76 times, 30 g/t Au or more 44 times, 100 g/t Au or more 13 times and 1,000 g/t or more two times.

Galway filed a preliminary NI 43-101 technical report prepared by Roscoe Postle Associates on August 24, 2011. KTTM Geophysics of Medellin, Colombia, completed an Induced Polarization (IP) and Ground Magnetic (MAG) survey over the geology grid on the Vetas Project. Galway conducted mapping and sampling of the drifts at the El Volcan mine on the two main work levels - Reina de Oro and Tajo Abierto. A total of 7,345 meters of drifts were mapped and 3,769 chip channel samples were taken from vein, wall rock and stockwork mineralization between vein sets. The average gold sample grade for the Reina de Oro level is 614.7 m of 37.9 g/t Au and 60.8 g/t Ag (TW=.99). The average sample grade for the Tajo Abierto level is 563.0 m of 21.5 g/t Au and 31.9 g/t Ag (TW=1.17). No assay cut was used on channel and chip samples; a 2.0 g/t Au lower cut was used in the Vetas drill program; no upper cut was used. True widths for assays for underground drill holes reported above are 48% to 92% of downhole widths, except hole GWY-V036, which is 32%. True widths for all surface holes have not been established as the zones are of unknown orientations.

VICTORIO TUNGSTEN-MOLYBDENUM PROJECT: TO BE SPUN OUT INTO A NEW COMPANY WITH US\$12 MILLION CASH. NEXT STEP - PREFEASIBILITY STUDY

The Victorio Tungsten-Molybdenum Project is an advanced-stage exploration property secured through an option agreement that when executed will give the Victorio SpinCo 100% ownership. The property has excellent infrastructure such as access by paved road to within a few miles of the site, a nearby railway and a gas pipeline. Victorio is located approximately 20 miles west of Deming, New Mexico.

TUNGSTEN PRICES REMAIN NEAR RECORD HIGHS

Record high tungsten prices coupled with a steady molybdenum price has prompted management to begin investing capital in the project again in an effort to create value for shareholders in the new Victorio company. The current combined metal prices of tungsten and molybdenum is almost 22% higher than the combined metal prices used in the SRK scoping study that is highlighted below. Tight tungsten supply out of China has driven prices to \$16 per pound, up from \$8 a pound just a few years ago. The molybdenum price has been trading at \$12 per pound. Please note that the SRK scoping study noted below used tungsten and molybdenum prices of \$8 and \$15 respectively.

The Company recently initiated an infill drilling program to upgrade the resource which is part of the pre-feasibility process recommended by SRK. The project has had extensive work performed by Humble/Exxon, Cominco, Santa Fe, Echo Bay and Gulf Minerals, among others prior to being acquired by Galway, including a total of 127 drill holes along with extensive geophysical and geochemical studies. The project became dormant in the mid-

eighties due to depressed metal prices before being acquired by Galway in 2006, when prices took a strong up-swing.

The Victorio Project was subject to a positive Scoping Study completed by SRK Consulting, results of which were reported in May 2008. The study was based on NI 43-101 resource estimates from 109 drill holes comprising a total of 217,000 feet of drilling, of which Galway drilled 18 holes for 38,000 feet. The study included a larger block caving scenario and a smaller selective mining scenario.

Supervision, Qualified Person and Quality Control

The Vetás Project is under the supervision of Project Manager Alex Cruz, of Quito Ecuador. In compliance with National Instrument 43-101, Mr. Mike Sutton, P.Geo. and Mr. Dale Schultz, P.Geo. (Manitoba and Saskatchewan) of Buscore Consulting Limited (www.buscore.net) are the Qualified Persons responsible for the accuracy of this news release. Samples from the Vetás Project are sent to the Acme Labs preparation facility in Medellín, Colombia, for processing and are analyzed at Acme Labs laboratory in Vancouver, Canada. Surface rock samples are analyzed for Au by a 30g fire assay and AAS finish method (code G601) plus a multi-element suite with an aqua regia digestion and ICP-MS finish (code 1F04). Underground samples are analyzed by G601 and 1F04 methods and over limits of Ag >100ppm and Cu-Pb-Zn >1% by an ore grade determination with an aqua regia digestion and analysis by ICP-ES (Code 7AR2). If strong mineralization or visible gold is observed, then a screen metallic assay for Au (code G615) is used. Acme Labs is an ISO 9001:2008 qualified assayer that performs and makes available internal assaying controls. Quality control protocols by Galway that are in place consist of the insertion of one blank at least every 20 samples, a reject duplicate every 20 samples, and one of three different certified reference standard material for every 20 rock samples. Core recovery in the mineralized zones has averaged over 90%. Quarter coring of some select samples will take place. Assays reported in this press release may have screen, and quarter core assays pending and will be updated in the table on the website as needed.

MMI soil samples were sent to SGS Group (ISO 19011 certified) preparation facility in Medellín, Colombia, for processing and are analyzed in SGS's laboratory in Lima, Peru.

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Neither the TSX Venture Exchange nor its regulation services provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Forward Looking Statements:

Certain statements contained in this release containing words like “believe”, “intend”, “may”, “will”, “expect”, “would” and other similar expressions, are forward-looking statements that involve a number of risks and uncertainties. This forward-looking information relates to, among other things, the timing and prospects for completion of the Arrangement, which is subject to a number of conditions precedents, such as the approval of the Arrangement by the Superior Court of Justice of Ontario, by Galway’s shareholders and by regulatory authorities. Accordingly, there can be no assurances that the Arrangement will be consummated. Statements in this release that are forward-looking statements are subject to various risks and uncertainties concerning the specific factors disclosed under the heading “Risk Factors” and elsewhere in Galway’s periodic filings with Canadian Securities Regulators. Such information contained herein represents management’s best judgment as of the date hereof based on information currently available. Galway does not assume the obligation to update any forward-looking statement, except as required by law.

The TSX-V has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.