

AlphaRx Concludes GAI-122 Formulation Development Intended For The Prevention of Delirium

Markham, Ontario – August 27, 2009 – AlphaRx Inc. (OTCBB: ALRX) and Gaia BioPharma Limited announce an update on their programme to develop a preventive treatment for delirium caused by prolonged surgery. Each year in the United States, as many as 7 million hospitalized adults experience delirium, a state of confusion caused by a sudden alteration of mental status. Currently, there are no approved drugs available in the United States to prevent or manage delirium.

"Developing post-operative delirium prolongs the length of a patient's hospital stay, increases the risk of post-hospitalization transfer to a nursing home and doubles the risk of death. As the national burden of delirium to the health care system may be as high as \$152 billion annually, there is an urgent need to identify a safe and effective drug therapy to reduce the incidence of delirium and its' associated health care costs," said Dr. Peter Carlen, a clinical neurologist collaborating with AlphaRx in the GAI-122 delirium program.

GAI-122 is proceeding to the clinical trial materials manufacturing stage and is expected to enter clinical trials by mid-2010. GAI-122 is protected by 4 US patent applications.

In October 2008, AlphaRx licensed GAI-122 to Gaia BioPharma. Under the terms of the amended agreement, AlphaRx is eligible to receive milestone payments of up to \$50 million for the successful development and commercialization of GAI-122, as well as royalties on worldwide sales. In addition, Gaia BioPharma assumes all development costs.

About GAI-122

GAI-122, an investigational, injectable nanoemulsion formulated with AlphaRx's proprietary drug delivery technology, has been shown to provide significant neuro-protection in multiple in vitro and in vivo animal studies suggesting that this injectable nanoemulsion formulation has the potential to prevent postoperative delirium. In rat model studies, injected GAI-122 ameliorates learning and memory disturbances produced by cerebral embolization, cerebral ischemia or lesions in the basal forebrain, the area of origin of the acetylcholine neuron system projecting into the cerebral cortex, hippocampus and amygdala. In clinical tests, an oral form of GAI-122 has been shown to be effective in preventing psychological deficits, such as a decline in memory retention and orientation.

About AlphaRx Inc.

AlphaRx is a specialty pharmaceutical company dedicated to developing proven therapies by reformulating FDA approved and marketed drugs which through the application of its proprietary site-specific nano drug delivery technology, offers improved medical benefits and a potential for significant commercial product development.

About Gaia BioPharma

Gaia BioPharma Limited, a privately held, early stage biopharmaceutical company focused on hospital-based injectable therapeutics. Gaia BioPharma seeks to address key unmet therapeutic needs by taking established compounds and changing their administration routes to create patent-protected, value-added products.

FORWARD LOOKING STATEMENTS:

This release contains forward-looking statements within the meaning and pursuant to the Safe Harbor provisions of the Securities Litigation Reform Act of 1995 and involve risks and uncertainties that may individually or mutually impact the matters herein described, including but not limited to product development and acceptance, manufacturing, competition, regulatory and/or other factors, which are outside the control of the Company.