

AlphaRx and Gaia BioPharma Enter Into Feasibility and Option Agreement

Gaia seeks to address key unmet therapeutic needs by taking established compounds and changing their administration routes to create patent-protected, value-added products using AlphaRx's proprietary nano drug delivery technologies

Markham, Ontario – October 22, 2008 – AlphaRx Inc. (OTCBB: ALRX) and Gaia BioPharma Limited, a privately held, early stage biopharmaceutical company focused on hospital-based injectable therapeutics, today announced the signing of a Feasibility and Option Agreement.

Under the terms of the Agreement, AlphaRx will use its proprietary nano drug delivery platforms to formulate two injectable products targeting underserved medical conditions. These represent market opportunities potentially exceeding US\$200M in annual revenue for Gaia. Gaia will have 12 months to evaluate the formulated products and exercise its option right for a pre-negotiated License Agreement.

AlphaRx is responsible for completing the product development work and will be eligible to receive an upfront non-refundable option fee and reimbursements in exchange for completing certain pre-defined development milestones. AlphaRx will also receive royalty and milestone payments from future product sales that utilize AlphaRx's delivery technology. Gaia BioPharma will be responsible for performing all aspects of clinical development, regulatory submission, manufacture and commercial operations.

The licensing agreements include up to US\$5.35M to AlphaRx in potential development milestone payments; potential sales milestones in excess of US\$27M in addition to royalties on the net sales of the two products by Gaia. The first product is expected to reach commercial stage by 2011.

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.

For more information, please contact:

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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.