



**ALLIANCE PHARMACEUTICAL CORP. ANNOUNCES ITS INTENTION TO PURSUE  
PROOF OF CONCEPT STUDY RELATING TO THE USE OF OXYGENT(tm) FOR  
ORGAN PROTECTION DURING MAJOR SURGERY**

**San Diego, CA; May 18, 2005** --Alliance Pharmaceutical Corp.("Alliance")(OTC Bulletin Board: ALLP) today announced its intent to pursue a Proof of Concept Study related to the use of Oxygent(tm) for organ protection during major surgery.

As previously announced, Alliance has entered into an Exclusivity Agreement dated December 22, 2004 with LEO Pharma A/S ("LEO") pursuant to which LEO has obtained the right to enter into a definitive license agreement for the development and commercialization of Oxygent. Pursuant to an Amendment to Exclusivity Agreement, dated February 25, 2005, entry into any such definitive license agreement with LEO is conditioned upon the results of a Proof of Concept Study to be conducted by Alliance related to the use of Oxygent for organ protection during major surgery.

The expense of this Proof of Concept Study likely would have caused Alliance to violate the covenant set forth in Section 4.12(1) of that certain Securities Purchase Agreement dated September 21, 2005 by and among Alliance and certain of its investors (the "Securities Purchase Agreement") which requires that Alliance maintain on hand a minimum of at least five million five hundred thousand dollars (\$5,500,000) in cash or cash equivalents in order not to be in default under its Senior Convertible Promissory Notes (the "Cash Covenant"). Alliance had been seeking the consent of Alliance's Lender Committee to commence the Proof of Concept Study.

However, the Cash Covenant ceases to apply on the date that Alliance enters into a binding agreement for the joint development of Oxygent with a Qualified Third Party (as that term is defined in the Securities Purchase Agreement) obligating such third party to make certain payments or undertake certain activities.

On May 13, 2005, Alliance entered into a Development, License and Supply Agreement with Beijing Double-Crane Pharmaceutical Co., Ltd. ("Double-Crane") for the development and commercialization of Oxygent in China ("Double-Crane Agreement"). Alliance has notified the Lender Committee that Double-Crane is a Qualified Third Party (as that term is defined in the Securities Purchase Agreement) and that the Double-Crane Agreement satisfies the termination requirements of the Cash Covenant. Accordingly, as of May 13, 2005, the restrictions related to the amount of cash and cash equivalents that Alliance must maintain on hand in order not to be in default under its Senior Convertible Promissory Notes, as set forth in the Cash Covenant, have ceased and are of no further force or effect.

## **About Alliance**

Alliance Pharmaceutical Corp., founded in 1989, is a development-stage pharmaceutical company that is currently focused on developing its lead product, Oxygent. Alliance is currently the only company that has advanced a synthetic PFC emulsion-based oxygen therapeutic into late-stage multi-center international clinical trials in both Europe and North America. Alliance is developing Oxygent as an intravascular oxygen therapeutic, based on its proprietary PFC and surfactant technologies.

Except for historical information, the matters set forth in this release are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those set forth herein, including the uncertainties associated with the conduct of preclinical or clinical studies. Alliance refers you to cautionary information contained in documents Alliance files with the Securities and Exchange Commission from time to time, including the last Form 10-KSB and Form 10-QSB, and those risk factors set forth in the most recent registration statement on Form SB-2 (File No. 333-119428). Alliance is under no obligation (and expressly disclaims any obligation) to update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

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