



FOR IMMEDIATE RELEASE

Press Contact

David Gallagher
+1-403-291-2492
info@qsound.com

Investor Relations Contact

Paula Murray
+1-954-796-8798
paula.murray@qsound.com

Modiotek Incorporates QSound Labs' mQFX Technologies into its Next Generation of Advanced Audio Chips for Mobile Handsets

Calgary, Alberta, August 5, 2008 – QSound Labs, Inc. (NASDAQ: QSND), a leading developer of audio and voice software solutions, and Modiotek, a fabless IC design house specializing in high-performance audio chips for mobile handsets, today announced a licensing agreement for QXpander®, QRumble™ and QSizzle™ audio technologies. QXpander, QRumble and QSizzle, components of QSound's industry leading mQFX suite of audio enhancement effects, will provide advanced functionality for Modiotek's next generation of single-chip audio subsystem solutions, bringing to mobile phone users a richer, more natural-sounding immersive audio experience.

Modiotek's new audio chips will enable leading mobile device manufacturers to differentiate their products with QSound's unique sound-field enhancements- an expanded 3D stereo sound stage with QXpander, dynamic low frequency enhancement with QRumble, and mid and high frequency enhancement with QSizzle - while saving significantly on cost and resource requirements. Modiotek's new Mobile Audio Platform offers handset manufacturers a highly integrated, low cost, stand-alone audio DSP solution for high-quality music playback with low resource needs which results in significantly extended battery life. Modiotek's current audio solutions have been adopted in many handset models of three of the Top-5 mobile brands, and major handset brands in China. Modiotek's new product line is currently under development, with production quantities soon to be available worldwide.

“In our drive to enrich the feature offering of our mobile audio solutions, we selected QSound's surround sound audio technologies to be one of most highlighted features in our next generation mobile audio solutions,” said J T Chung the CEO of the Modiotek. “Our major customers all expect us to provide audio solutions that can enable music handsets to have longer music playback time, superior audio quality, and natural 3D surround sound effects. We are pleased to

- more -

QSound Labs, Inc.

Head Office & Technical Research Facility: #400, 3115 - 12th Street NE Calgary, Alberta, Canada T2E 7J2
Tel: +1-403-291-2492 • Fax: +1-403-250-1521 • Email: info@qsound.com

www.qsound.com

see QSound's surround sound technologies are very suitable for mobile phone applications. By adopting their technologies in our solutions we can ensure that our customers' new handset models will have the best quality of 3D surround sound effects and also long music playback time from our next generation audio solutions."

"It is very gratifying that Modiotek, one of Asia's leading audio IC manufacturers for the mobile handset market, chose our mQFX components, QXpander, QRumble and QSizzle, for their new audio platform," said David Gallagher, President and CEO of QSound Labs. "Modiotek's reputation and successful partnerships with Asian handset OEMs provides us with a significant opportunity to increase exposure of our mQFX audio enhancement technologies to a vast, rapidly growing market. And manufacturers of hand-held devices now have a cost-effective solution to deliver the high-performance quality audio demanded by today's mobile consumer. We look forward to a productive partnership with Modiotek on this and future endeavors."

QSound's mQFX suite of unique sound-field enhancements increases the audio enjoyment of multimedia mobile devices with a compact, high-performance software digital audio package that can be efficiently implemented across a wide range of platforms. The patented QXpander 3D spatial processing algorithm literally adds new dimensions to music playback, expanding the soundstage beyond the physical limitations of speaker locations, and enlarging the acoustic image outside the listeners' head when using headphones. This results in a more natural and less fatiguing listening experience. QSound's proprietary QRumble and QSizzle algorithms are adaptive low and high frequency spectral enhancements, selectively adding the appropriate spectrum energy to the real-time characteristics of the input signal, without overloading on loud passages. QSound's mQFX digital audio enhancement engine is renowned for its modularity, scalability and portability and offers discerning mobile OEMs the most effective audio solution available today.

About QSound Labs, Inc.

Since its inception in 1988, QSound Labs, Inc. has established itself as one of the world's leading audio technology companies. The Company has developed numerous innovative, proprietary audio solutions based on extensive research into human auditory perception. These technologies include virtual surround sound, 3D positional audio, stereo enhancement and MIDI Synthesis for the mobile devices, consumer electronics, PC/multimedia, and Internet markets. QSound Labs' cutting-edge audio technologies create rich, immersive 3D audio environments allowing consumers to enjoy stereo surround sound from headphones or from two, four and up to 7.1 speaker systems. The company's customer and partner roster includes ARM, LG, Samsung, Pantech, ST, Telechips, CSR, Aricent, Broadcom, MITAC, Panasonic, Qualcomm, Sony Vaio and Toshiba among others. QSound Labs supports its semiconductor, software and OEM partners globally with offices in Canada, China, Europe, Japan and Korea. To hear 3D audio demos and learn more about QSound, visit our web site at www.qsound.com.

About Modiotek

Modiotek Co., Ltd., an IC design house spun off from Macronix Audio Product Line, is a leading Mobile Audio solution provider and concentrates on developing key integrated circuit and system solutions for mobile phone manufacturers. Modiotek's mobile audio products enable the delivery of multi-functions with high quality, low power consumption, and high integration to the music phone environment. Modiotek's web site is located at <http://www.modiotek.com.tw>.

QSound Labs, Inc.

Head Office & Technical Research Facility: #400, 3115 - 12th Street NE Calgary, Alberta, Canada T2E 7J2

Tel: +1-403-291-2492 • Fax: +1-403-250-1521 • Email: info@qsound.com

www.qsound.com

QSound Labs, Inc. - Forward-Looking Statements

This release contains forward-looking statements concerning, among other things, expected availability of QSound's technologies on Modiotek's audio chips for mobile handsets, use of QSound audio enhancement by leading mobile device manufacturers, significant cost and resource reductions for mobile device manufacturers, increased exposure of mQFX audio enhancement technologies to the growing Asian market and future endeavors with Modiotek. These statements involve risks and uncertainties which could cause actual results, performance or achievements of QSound, or industry results, to differ materially from those reflected in the forward-looking statements. Such risks and uncertainties include, but are not limited to, risks associated with loss of QSound's business relationship with Modiotek, acceptance of QSound's technologies by mobile device manufacturers and by consumers, QSound's ability to carry out its business strategy and marketing plans, dependence on intellectual property, rapid technological change, competition, and general economic and business conditions and other risks detailed from time to time in QSound's periodic reports filed with the Securities and Exchange Commission. Forward-looking statements are based on the current expectations, projections and opinions of QSound's management, and QSound undertakes no obligation to publicly release the results of any revisions to such forward-looking statements which may be made, for example to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

QSound Labs, Inc.

Head Office & Technical Research Facility: #400, 3115 - 12th Street NE Calgary, Alberta, Canada T2E 7J2

Tel: +1-403-291-2492 • Fax: +1-403-250-1521 • Email: info@qsound.com

www.qsound.com