



FOR IMMEDIATE RELEASE

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QSound Labs Reports Fourth Quarter and Year End Results for 2007

Calgary, Alberta, March 27, 2008 - QSound Labs, Inc. (NASDAQ: QSND), a leading developer of audio and voice software solutions, today reported financial results for the fourth quarter of FY2007. For the three months ended December 31, 2007, the consolidated revenues were \$304,000 as compared to \$543,000 for the same quarter in FY2006. The net loss for the fourth quarter was \$(521,000) or \$(0.06) per share as compared to \$(499,000) or \$(0.05) per share in FY2006.

Consolidated revenues for the year ended December 31, 2007 were \$2,379,000 compared to \$1,989,000 for the same period in FY2006. Net loss for the year was \$(1,263,000) or \$(0.13) per share as compared to \$(1,682,000) or \$(0.18) per share in FY2006.

The Company reported a working capital surplus of \$1,682,000 as at December 31, 2007 of which cash comprised \$1,232,000.

“The fourth quarter’s results were disappointing for a number of reasons, not the least of which was the reversal of the recurring revenue growth the Company had been experiencing in the mobile device market over the past two years,” stated David Gallagher, President and CEO of QSound Labs. “There were several factors involved in this reversal, first, a correction that had to be made for a third quarter accounting estimate, which resulted in a \$93,000 reduction in revenue for the fourth quarter and second, a winding down of activity for one of our licensees in China as PHS phone shipments continue to diminish.”

“During 2007, we continued to grow our recurring revenue stream from the mobile device market. In fact, year over year, the growth was 95%. Most of this occurred because of the success of our marketing activities in 2006 with the design wins for the LG Shine and PRADA phones and for Softbank’s Panasonic 3G phones in Japan.”

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QSound Labs, Inc.

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“The launch in the fourth quarter of new microQ enabled phones by Pantech and BenQ, as well as the recent release of new models by LG in early 2008, continue to build upon this foundation. During the past two years, the microQ revenue growth has occurred as a result of licensing the mQSynth software component. To maintain growth, the Company needs to begin exploiting the potential for its other microQ software components, mQFX, mQ3D and mobile QSurround.”

“With the arrival of the iPhone in 2007, the industry’s current focus is on music and enhanced GUIs. mQFX, our audio enhancement component targeted for music, has been previously licensed by Qualcomm (re-branded as “QConcert”) and the Company is endeavoring to build on this initial success for this software component. This software component has been optimized as part of our collaboration agreement with ARM thus positioning the performance of mQFX very competitively in the mobile marketplace. In addition to mobile phones, this technology can be used in stereo Bluetooth products. During 2007, we were successful in aligning ourselves with the appropriate partners so as to exploit this technology in 2008.”

“The recent announcement of an SDK for the iPhone has raised industry expectations re: gaming as a mobile phone feature and the Company is well positioned to take advantage of this potential opportunity with its mQ3D software component.”

“Despite the fourth quarter setback, management is confident that 2008 will see continued revenue growth for the Company from the mobile device market. Entering 2008, the Company has a stronger team, a strong and relevant product portfolio, established relationships with the major industry players and the potential for new relationships that can provide the stimulus for growth.”

In compliance with modified Nasdaq rules, this year QSound will be distributing its 2007 Annual Report to shareholders by posting the Annual Report on our website at www.qsound.com. Shareholders can receive a hardcopy of the Annual Report free of charge upon request.

QSound Labs, Inc. - Forward-Looking Statements

This release contains forward-looking statements within the meaning of the Private Securities Litigation Act of 1995 concerning, among other things, continued revenue growth from the mobile device market. Investors are cautioned that such forward-looking statements involve risk 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 relationships with companies that do business with QSound, successful distribution of QSound-enabled products by licensees, continued growth of demand for QSound’s technologies in the mobile devices market, QSound’s ability to carry out its product development, business strategy and marketing plans, dependence on intellectual property, rapid technological change, competition, 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

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Consolidated

Balance Sheets

As at December 31, 2007 and December 31, 2006 (unaudited)
(Expressed in United States dollars under United States GAAP)

| | December 31, 2007 | December 31, 2006 |
|---|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,232,255 | \$ 2,316,476 |
| Accounts receivable (net) | 506,648 | 316,298 |
| Note receivable | 27,400 | 6,000 |
| Inventory | 12,217 | 19,422 |
| Deposits and prepaid expenses | 188,568 | 60,933 |
| | 1,967,088 | 2,719,129 |
| Note receivable | — | 55,325 |
| Property and equipment | 258,414 | 348,280 |
| Deferred development costs | 194,915 | 253,147 |
| Intangible assets | 70,260 | 98,351 |
| | \$ 2,490,677 | \$ 3,474,232 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 262,718 | \$ 268,439 |
| Deferred revenue | 22,820 | 45,572 |
| | 285,538 | 314,011 |
| Liability for pension benefit | 5,079 | — |
| Convertible notes | 118,220 | 84,949 |
| Shareholders' equity | | |
| Share capital | 47,675,739 | 47,411,000 |
| Warrants | 1,027,114 | 1,027,114 |
| Contributed surplus | 2,959,339 | 2,854,038 |
| Deficit | (49,479,722) | (48,216,880) |
| Accumulated Other Comprehensive Loss | (100,630) | — |
| | 2,081,840 | 3,075,272 |
| | \$ 2,490,677 | \$ 3,474,232 |

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Consolidated

Statements of Operations and Deficit

(unaudited)

(Expressed in United States dollars under United States GAAP)

| | Three months ended | | Twelve months ended | |
|---|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2007 | December 31, 2006 | December 31, 2007 | December 31, 2006 |
| REVENUE | | | | |
| Royalties, licenses and engineering fees | \$ 251,835 | \$ 473,591 | \$ 2,142,834 | \$ 1,692,669 |
| Product sales | 52,620 | 69,814 | 236,305 | 296,361 |
| | 304,455 | 543,405 | 2,379,139 | 1,989,030 |
| Cost of product sales | 15,593 | 72,785 | 86,930 | 85,673 |
| | 288,862 | 470,620 | 2,292,209 | 1,903,357 |
| EXPENSES: | | | | |
| Marketing | 179,463 | 340,676 | 1,215,544 | 1,111,988 |
| Operations | 37,839 | 31,149 | 141,234 | 136,386 |
| Product engineering | 238,962 | 190,081 | 787,024 | 819,277 |
| Administration | 270,686 | 253,608 | 1,117,356 | 973,208 |
| Foreign exchange loss | 2,645 | 25,348 | 3,751 | 25,912 |
| Amortization | 55,140 | 74,833 | 206,291 | 311,201 |
| Impairment of property and equipment | — | 41,952 | — | 167,809 |
| | 784,735 | 957,647 | 3,471,200 | 3,545,781 |
| Loss before other items | (495,873) | (487,027) | (1,178,991) | (1,642,424) |
| OTHER ITEMS: | | | | |
| Interest income | 12,747 | 29,688 | 72,559 | 85,686 |
| Interest on convertible notes | (19,535) | (20,795) | (81,240) | (61,336) |
| Accretion expense | (8,389) | (4,202) | (33,271) | (12,752) |
| Gain on sale of capital assets | — | — | 586 | — |
| | (15,177) | 4,691 | (41,366) | 11,598 |
| Loss before taxes | (511,050) | (482,336) | (1,220,357) | (1,630,826) |
| Foreign withholding tax | (9,928) | (16,781) | (42,485) | (50,849) |
| Net loss for the period | (520,978) | (499,117) | (1,262,842) | (1,681,675) |
| Loss per common share (basic and diluted) | \$ (0.06) | \$ (0.05) | \$ (0.13) | \$ (0.18) |

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Consolidated

Statements of Cash Flows

(unaudited)

(Expressed in United States dollars under United States GAAP)

| | Three months ended | | Twelve months ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2007 | December 31, 2006 | December 31, 2007 | December 31, 2006 |
| Cash provided by (used in): | | | | |
| OPERATIONS | | | | |
| Loss for the period | \$ (520,978) | \$ (499,117) | \$ (1,262,842) | \$ (1,681,675) |
| Items not requiring (providing) cash: | | | | |
| Amortization | 55,140 | 74,833 | 206,291 | 311,201 |
| Stock based compensation | (1,861) | 64,477 | 213,541 | 380,614 |
| Employee future benefits | (95,551) | — | (95,551) | — |
| Impairment of property and equipment | — | 41,952 | — | 167,809 |
| Accretion expense | 8,389 | 4,202 | 33,271 | 12,752 |
| Gain on sale of capital assets | — | — | (586) | — |
| Other | (354) | 22,767 | (2,076) | (4,021) |
| Changes in non-cash working capital balances | 288,692 | 240,379 | (339,253) | 104,669 |
| | (266,523) | (50,507) | (1,247,205) | (708,651) |
| FINANCING | | | | |
| Issuance of common shares (net) | — | 76,100 | 156,499 | 857,882 |
| Proceeds on issuance of convertible notes | — | — | — | 1,000,000 |
| | — | 76,100 | 156,499 | 1,857,882 |
| INVESTMENTS | | | | |
| Note receivable | — | — | 36,000 | 26,442 |
| Purchase of property and equipment | (4,331) | (16,346) | (18,243) | (42,426) |
| Deferred development costs | — | — | — | (39,500) |
| Purchase of intangible assets | (4,847) | (554) | (11,858) | — |
| Proceeds on sale of capital assets | — | — | 586 | — |
| | (9,178) | (16,900) | 6,485 | (55,484) |
| (Decrease) increase in cash and cash equivalents | (275,701) | 8,693 | (1,084,221) | 1,093,747 |
| Cash and cash equivalents, beginning of period | 1,507,956 | 2,307,783 | 2,316,476 | 1,222,729 |
| Cash and cash equivalents, end of period | 1,232,255 | 2,316,476 | 1,232,255 | 2,316,476 |

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