



FOR IMMEDIATE RELEASE

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QSound Labs Signs IP Acquisition Agreement for 3D Graphics Technology

Closes Private Placement Concurrently with Asset Acquisition Transaction

Calgary, Alberta, July 31, 2008 - QSound Labs, Inc. (NASDAQ: QSND), a leading developer of audio and voice software solutions, today announced that it has reached an agreement with MachineWorks Northwest, a premier developer of mobile platform games, to acquire its acclaimed Ripp3D graphics engine for \$3.1 million. QSound will make an upfront payment of \$1.1 million and will pay the balance over a period of 20 months. As part of this agreement, QSound also has acquired an option to purchase the MachineWorks Northwest mobile gaming business, exercisable until January 31, 2009.

Concurrent with this transaction, QSound also closed the previously announced private placement, issuing 1,925,000 units for consideration of \$1,925,000.

Ripp3D is a powerful, award-winning 3D graphics engine optimized for BREW, Windows Mobile and iPhone platforms. Delivering impressive next-generation 3D graphics, Ripp3D has been used to create numerous popular mobile games and has won significant awards including Best Graphics Technology for Wireless at IGN's Best of 2007 year-end awards.

The Ripp3D engine has been downloaded in over two million games since inception, including Prey Mobile 3D, Duke Nukem Mobile and Stand Down! and will power the graphics for the highly anticipated Prey Mobile 3D launch on the iPhone scheduled for later this year.

“By acquiring the Ripp3D graphics engine, we now have a perfect complement to our 3D positional audio engine for gaming,” said David Gallagher, CEO of QSound. “The combination of Ripp3D advanced graphics and QSound’s state-of-the-art mQ3D positional audio will deliver a full 3D game experience, bringing a new era of compelling mobile gaming to consumers.”

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QSound Labs, Inc.

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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, STMicroelectronics, Telechips, CSR, Aricent, Broadcom, MiTAC, Panasonic, Qualcomm, Sony Vaio and Toshiba amongst others. QSound Labs supports its semiconductor, software and OEM partners globally with offices in Canada, Europe, China and Japan. To hear 3D audio demos and learn more about QSound, visit our web site at www.qsound.com.

About MachineWorks Northwest LLC

MachineWorks Northwest LLC is an award-winning mobile and handheld console game developer. Voted "Best Mobile Developer 2007" and "Best Graphics Technology 2007" by IGN Wireless, MachineWorks is well known for its mobile adaptation of the Duke Nukem Universe (IGN Editor's Choice) and the development of Prey3D Mobile, VGA Video Game Award's "Best Mobile Game of the Year." Prey3D Mobile also took home a special "Best Visual Design" award and was nominated for an Academy of Interactive Sciences (AIAS) award in 2007. MachineWorks holds the exclusive mobile and handheld rights to Duke Nukem. For more information, visit www.machineworksnorthwest.com.

This release contains forward-looking statements concerning, among other things, use of Ripp3D in mobile gaming for iPhone, availability of superior mobile gaming resulting from combined use of QSound 3D audio and Ripp3D graphic and purchase price payments over 20 months for the Ripp3D engine. 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 continued use of Ripp3D in mobile games and acceptance of these games by consumers, successful commercialization of Ripp3D graphics combined with QSound audio, 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.

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