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SmarTire Reports FQ1 2006 Financial Results

Richmond, British Columbia, Canada, December 15, 2005 -- SmarTire Systems Inc. (OTC Bulletin Board: SMTR) reported today its financial results for its first quarter ended October 31, 2005. SmarTire's consolidated financial statements and all financial information contained in this release are stated in U.S. dollars and are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

SmarTire reported an increase in revenue for the first quarter of fiscal year 2006 to \$592,866 from \$301,169 in FQ1 '05. Total sales to the original equipment manufacturer (OEM) market for the quarter were \$442,882, an increase of approximately \$270,398 or 157% from the same quarter of FY '05. Net loss for the quarter totaled \$18.2 million (\$0.06 per share), compared with a net loss of \$2.4 million (\$0.02 per share) in FQ1 '05. The substantial increase in the loss in FQ1 '06 was mainly due to non-cash interest and finance charges of \$16,696,167 of which approximately \$16.1 million related to expenses incurred in connection with SmarTire's \$160 million equity line of credit. The charge was taken as there will likely be a delay in SmarTire's registration of its equity line of credit. The FQ1 '06 loss was partially offset by a stock-based compensation recovery of \$1,633,975.

Cash used to fund operating activities in FQ1 '06 was \$3.1 million, compared to \$2.0 million in FQ1 '05. The increase in cash used was mainly due to a \$900,000 interest payment on SmarTire's convertible debentures.

SmarTire Chief Financial Officer Jeff Finkelstein said, "As President and CEO Al Kozak stated in our November 9, 2005 announcement, we are beginning to see results from our shift in focus toward value-added systems for the OEM market. We are encouraged by these results. Although they are well below where we expect to be in the coming quarters and years, it is clear we are

moving in the right direction.”

SmarTire also announced that the annual and special meeting of shareholders was held on December 9, 2005. All resolutions proposed by management for adoption by the shareholders were approved. All incumbent directors were re-elected, and the board re-appointed SmarTire incumbent officers for fiscal year 2006.

About SmarTire Systems Inc.

SmarTire develops and markets proprietary advanced wireless sensing and control systems worldwide, including tire pressure monitoring systems for global vehicle markets. The U.S. government, through the TREAD Act, has legislated that all new passenger vehicles must be equipped with tire monitoring systems beginning with a phased implementation in 2004. This has raised the awareness for tire monitoring throughout the vehicle industry, and SmarTire is capitalizing on the rapidly emerging original equipment manufacturer (OEM) and aftermarket opportunities. SmarTire has offices in North America and Europe.

A comprehensive investment profile regarding SmarTire Systems Inc. may be found at <http://www.hawkassociates.com/smartire/profile.htm>.

An investment profile, a comprehensive online investor relations kit, SEC filings and other useful investor information regarding SmarTire Systems Inc. can be found at <http://www.hawkassociates.com/SmarTire> and <http://www.americanmicrocaps.com>. In addition, this press release is available for investor commentary, questions, near real-time answers and monitored discussion in the SmarTire IR HUB at <http://www.agoracom.com/IR/SmarTire>. Alternatively, investors are able to e-mail questions directly to SMTR@agoracom.com or contact Frank Hawkins and Julie Marshall of Hawk Associates at (305) 451-1888, e-mail: info@hawkassociates.com.

SMARTIRE SYSTEMS INC.
Income Statement Summary
Expressed in United States dollars

	Three months ended October 31,	
	2005	2004
Revenue	\$ 592,866	\$ 301,169
Cost of goods sold	<u>423,688</u>	<u>220,436</u>
Gross profit	169,178	80,733
Expenses	<u>595,024</u>	<u>1,937,740</u>
Loss from operations	(425,846)	(1,857,007)
Other earnings (expenses)	<u>(17,785,677)</u>	<u>(526,893)</u>
Loss for the period	<u>\$ (18,211,523)</u>	<u>\$ (2,383,900)</u>
Loss per share	<u>\$ (0.06)</u>	<u>\$ (0.02)</u>

SMARTIRE SYSTEMS INC.
Balance Sheet Summary
Expressed in United States dollars

	October 31, 2005	July 31, 2005
Cash and cash equivalents	\$ 4,230,525	\$10,059,763
Short-term investments	\$ 3,268,365	\$ -
Total current assets	\$11,261,994	\$13,292,487
Deferred financing costs	\$ 2,016,029	\$18,209,280
Total assets	\$14,807,327	\$33,284,543
Current liabilities	\$ 8,353,174	\$ 5,781,918
Convertible debentures, net of equity portion of \$9,501,997 (long-term portion) (July 31, 2005 - \$10,111,082)	\$15,031,476	\$17,118,667
Preferred shares, net of equity portion of \$3,999,687 (July 31, 2005 - \$3,999,999)	\$ 313	\$ 1
Stockholders' equity (deficiency)	\$(8,577,636)	\$10,383,957
Total liabilities and Stockholders' equity (deficiency)	\$14,807,327	\$33,284,543

Except for historical information contained herein, the matters discussed in this news release contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve substantial risks and uncertainties. When used in this news release, the words “expects,” “may,” “will” and similar expressions identify certain of such forward-looking statements. Actual results, performance, or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained herein. These forward-looking statements are based largely on the expectations of SmarTire and are subject to a number of risks and uncertainties that are subject to change based on factors, which are, in many instances, beyond SmarTire’s control. These include, but are not limited to, risks and uncertainties associated with the effects of competitive pricing, SmarTire’s dependence on the ability of third-party manufacturers to produce components on a basis that is cost-effective to SmarTire, market acceptance of SmarTire’s products, SmarTire’s ability to keep up with technological advances in the industry, the effect of competitive products and the effects of governmental regulations. SmarTire cautions that the foregoing factors are not exhaustive.