

SmarTire Systems Inc.

Suite 150, 13151 Vanier Place
Richmond, British Columbia
Canada, V6V 2J1

T: 604.276.9884

F: 604.276.0864

www.smartire.com

NASDAQ: SMTR



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Email: info@smartire.com

Contact: Charlene Krepiakevich

1.800.982.2001/604.276.9884

SmarTire Systems Reports Year End Results

Company prepares for mass-market opportunities

RICHMOND, BRITISH COLUMBIA, CANADA – October 26, 2001 – SmarTire Systems Inc. (Nasdaq: SMTR) today reported its financial results for the year ended July 31, 2001.

The Company reported a net loss of US\$5.5 million (\$0.39 per share) for the 2001 fiscal year compared with a net income of US\$1.9 million (\$0.14 per share) for the same period in 2000. The difference in financial performance between the two fiscal years is the result of a US\$8.3 million gain on the sale of an investment in March 2000. In addition, lower revenues were reported in fiscal 2001 due to the delay in the release of the Company's second generation tire monitoring products. The distribution of SmarTire's new aftermarket products in both the United States and Europe occurred in late July and September 2001.

"Fiscal 2001 was the most exciting period in our fourteen year history", said Robert Rudman, SmarTire's president and Chief Executive Officer. "Following the introduction of the TREAD Act in late 2000, we worked diligently to seize the opportunity afforded us. Most significantly, in August 2001, we restructured our strategic alliance with TRW. Inc., which effectively provided SmarTire immediate access to all levels of the global automotive and transportation industries. This one transaction allowed the Company to begin shifting its business and operational focus from small specialty niche markets toward mass-market opportunities in both the passenger car and commercial vehicle markets."

In November 2000, the United States government introduced legislation to define new tire safety standards that require tire pressure warning devices on all passenger cars, light trucks, sport utility vehicles and vans sold in the U.S. after 2003. The Transportation Recall Enhancement Accountability Documentation (TREAD) Act has forced the industry to mature quickly and respond to the demand for tire monitoring technology for new vehicle applications.

"Sixteen million new vehicles in the United States will be impacted by the TREAD Act each year in the United States resulting in an estimated US\$1 billion annualized market. In addition, we expect leading European and Asian vehicle manufacturers to follow, which could eventually triple the market size," said Rudman. "With the demand for tire monitoring growing exponentially, we believe that SmarTire can gain a leadership share. Our extensive product knowledge, level of experience and degree of technical innovation represents significant competitive advantages. These factors, coupled with our relationships with U.S. and European automotive manufacturers, will serve us well toward reaching our goals."

During the year, additional initiatives at SmarTire included the development of new distribution relationships for the aftermarket tire monitoring products; strengthening the commitment in Europe; developing manufacturing strategies; and, exploring new strategic alliances. The Company's new automotive aftermarket products for cars, light trucks and sport utility vehicles are now available in Europe and North America. SmarTire has developed distribution arrangements with European and North American customers. In the United States and Canada, SmarTire's aftermarket products can be purchased through The Tire Rack and Big O Tires. Additional product information can be found at www.bigotires.com and www.tirerack.com.

Earlier in 2001, SmarTire Europe expanded its distribution and sales operations to prepare for increased product sales. In the Canadian head office, SmarTire Systems added resources to the engineering and technical operations team to expand its manufacturing strategy and implement the QS9000 quality program.

The Company recently terminated its agreement of October 2000 with Honeywell. The agreement set forth a framework for the two companies to jointly develop and distribute tire monitoring products for the mass consumer marketplace. Following the introduction of the TREAD Act requiring tire monitoring on new vehicles within a few short years, the two companies agreed that a major national campaign to the mass consumer segment at the current price point was not commercially viable.

"Moving forward, the Company will continue to focus on solidifying its position at the original equipment level as well as in the aftermarket. We anticipate increased revenues from the aftermarket products in the short term as our recently launched products will be available for the full twelve-month period."

"Most importantly," concluded Rudman, "in fiscal 2002 we will remain committed to our core competencies. We will look to build value for our customers and shareholders by responding to the immediate need for tire monitoring products, seeking new strategic alliances, leveraging external manufacturing technology and maintaining our commitment to new product development for emerging markets."

Since 1987, SmarTire has pioneered the research and development of tire monitoring technology and advocated that tire monitoring will become the next major breakthrough in vehicle safety following airbags and anti-lock brakes. With the new Transportation Recall Enhancement Accountability and Documentation (TREAD) Act, improved tire safety standards will require tire pressure warning systems on all new passenger cars and light trucks produced in the U.S. after 2003.

SmarTire develops and markets the world's most technically advanced tire monitoring systems for all sectors of automotive and transportation industries. Additional information can be found at www.smartire.com

Kevin A. Carlson, CA
Chief Financial Officer and Managing Director

This news release may include statements about expected future events and/or financial results that are forward-looking in nature and subject to risks and uncertainties. Forward-looking statements in this release include, but are not limited to, those statements regarding the anticipated demand for tire monitoring technology, sales of SmarTire's products and technology to original equipment manufacturers, the size of the market, and, the impact and scope of the new United States legislation. It is important to note that actual outcomes and the Company's actual results could differ materially from those in such forward-looking statements. Factors that could cause actual results to differ materially include general factors such as the impact of competitive products and pricing and general economic conditions as they affect the Company's customers, and specific risks such as the uncertainty of the requirements demanded and timing specified by U.S. government, reliance on third party manufacturers to produce SmarTire products and technology, and, the Company's ability to source product components in timely manner. Readers should also refer to the risk disclosures outlined in the Company's annual report of Form 10-KSB for the last completed fiscal year filed with the SEC.

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

	Year ended July 31, 2001	Year ended July 31, 2000
Revenue	\$ 779,611	\$ 747,738
Cost of goods sold	<u>385,897</u>	<u>339,722</u>
Gross profit	393,714	408,016
Expenses	<u>6,260,532</u>	<u>7,058,528</u>
Net loss	(5,866,818)	(6,650,512)
Other income	<u>359,799</u>	<u>8,555,690</u>
Net income (loss)	<u>\$ (5,507,019)</u>	<u>\$ 1,905,178</u>
Income (loss) per share	<u>\$ (0.39)</u>	<u>\$ 1.14</u>

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

	July 31, 2001	July 31, 2000
Cash and Cash Equivalents	\$ 2,930,257	\$ 9,753,063
Total Current Assets	4,682,950	10,112,368
Total Assets	\$ 6,897,839	\$ 10,730,089
Current Liabilities	\$ 782,690	496,744
Stockholders' Equity	6,115,149	10,233,345
Total Liabilities and Stockholders' Equity	\$ 6,897,839	\$ 10,730,089
