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SmarTire Reports Fiscal 2005 Year End Financial Results

Richmond, British Columbia, Canada, October 28, 2005 - SmarTire Systems Inc. (OTC Bulletin Board: SMTR) reported today its financial results for the fiscal year ended July 31, 2005. The company'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 revenue in FY '05 of \$1.46 million compared to revenue of \$1.66 million in FY '04. Net loss for the year totaled \$14.3 million (\$0.06 per share) compared with a net loss of \$11.0 million (\$0.13 per share) in FY '04. Cash used to fund operating and investing activities in FY '05 was \$6.9 million compared to \$8.0 million in 2004.

SmarTire President and CEO Al Kozak said, "To align our corporate focus and resources with the opportunities of a changing marketplace, SmarTire made two major transitions in FY '05. We shifted our priorities from the extremely competitive passenger car market to the more attractive commercial vehicle market where we believe we have significant competitive advantages and much greater opportunities. In addition, we have focused on sales to original equipment manufacturers (OEM) instead of the more diverse and less rewarding aftermarket. Our recent announcement of a major new distribution agreement underlines the progress we are achieving."

Kozak said, "These two marketing transitions did not translate into increased revenues during our 2005 fiscal year although significant progress was made. The sales growth rate of our tire pressure monitoring systems to the OEM market was 288% in 2005. OEM business accounted for 57% of our total business in fiscal 2005 compared to 14% for the previous year. We achieved this growth while reducing non-profitable aftermarket sales in a number of areas to enable us to focus on increased OEM business with recurring revenues. We will continue to focus our efforts

on acquiring new OEM customers and positive revenue growth over the next year.”

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 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>.

Additional information about SmarTire Systems can be found at <http://www.smartire.com>. An online investor relations kit containing SmarTire press releases, SEC filings, current Level II price quotes, interactive Java, stock charts and other useful information for investors can be found at <http://www.hawkassociates.com> and <http://www.americanmicrocaps.com>. Investors may contact Frank Hawkins or 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

	Year ended July 31, 2005	Year ended July 31, 2004
Revenue	\$ 1,463,460	\$ 1,658,279
Cost of goods sold (including in the year ended July 31, 2005 inventory write-down of \$500,000)	<u>1,634,780</u>	<u>1,445,563</u>
Gross profit (loss)	(171,320)	212,716
Expenses	<u>12,288,528</u>	<u>7,186,287</u>
Loss from operations	(12,459,848)	(6,973,571)
Other earnings (expenses)	<u>(1,832,013)</u>	<u>(4,013,455)</u>
Loss for the year	<u>\$ (14,291,681)</u>	<u>\$ (10,987,026)</u>
Loss per share	<u>\$ (0.06)</u>	<u>\$ (0.13)</u>

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

	July 31, 2005	July 31, 2004
Cash and Cash Equivalents	\$ 10,059,763	\$ 76,670
Total Current Assets	\$ 13,292,487	\$ 3,807,743
Deferred financing costs	\$ 18,209,280	\$ 157,020
Total Assets	\$ 33,284,543	\$ 6,937,128
Current Liabilities	\$ 5,781,918	\$ 3,075,338
Convertible Debentures, net of equity portion of \$10,111,082 (July 31, 2004 - \$1,955,356)	\$ 17,118,667	\$ 395,574
Preferred shares, net of equity portion of \$3,999,999 (July 31, 2004 - \$nil)	\$ 1	\$ -
Stockholders' Equity	\$ 10,383,957	\$ 3,466,216
Total Liabilities and Stockholders' Equity	\$ 33,284,543	\$ 6,937,128

This release contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 which represent the company's expectations or beliefs concerning future events of the company's financial performance. These forward-looking statements are further qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements. These factors include the effect of competitive pricing, the company's dependence on the ability of third party manufacturers to produce components on a basis which is cost-effective to the company, market acceptance of the company's products and the effects of government regulation. Results actually achieved may differ materially from expected results included in these statements.