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SmarTire Announces Settlement of Lawsuit

Richmond, British Columbia, Canada, January 9, 2005 -- SmarTire Systems Inc. (OTC Bulletin Board: SMTR) announced today that it has settled a lawsuit pertaining to a dispute with Bristol Investment Fund, Ltd., over the conversion of a convertible debenture in the amount of \$91,726.

Bristol sought a court order compelling SmarTire to pay \$4,393,360 plus interest and attorneys fees in damages. The settlement is for \$250,000 and the issuance of 2 million shares. Under the agreement, no sale of the shares may be made before Jan. 16, 2006 and no more than 1 million shares may be sold before Feb. 16, 2006. In addition, the parties granted each other a mutual general release.

Al Kozak, President and CEO of SmarTire, said, “We worked in good faith to resolve this issue with Bristol and we are very pleased with the outcome.”

Kozak will go “Beyond the Press Release” to provide shareholders with an audio address that further discusses and explains the importance of the settlement. The address will be available on the SmarTire Investor Relations Hub at <http://www.agoracom.com/ir/smartire> on or before Friday, Jan. 13, 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 may 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.

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.