

**SmarTire Systems Inc.**  
Suite 150, 13151 Vanier Place  
Richmond, British Columbia  
Canada, V6V 2J1

T: 604.276.9884  
F: 604.276.2350  
www.smartire.com  
OTCBB: SMTR



## **NEWS RELEASE – June 15, 2006**

**OTCBB: SMTR  
NEWS RELEASE**

# **SmarTire Q3 Revenue Up 262% to \$1.2M**

*Sales Increase As Customer Base Grows*

**Richmond, British Columbia, Canada, June 15, 2006** -- SmarTire Systems Inc. (OTC Bulletin Board: SMTR) announced today that revenue for the third quarter of fiscal year 2006 increased 262% to \$1,195,136 from \$330,406 in the third quarter of fiscal year 2005. The company said FQ3 sales represented a 42% gain over the second fiscal quarter of this year. For the nine months ended April 30, 2006, SmarTire's sales increased 157% to \$2,627,617 from \$1,022,484 for the nine months ended April 30, 2005.

SmarTire President and CEO Leif E. Pedersen said, "We continue to experience strong sales growth and achieved record sales in the recreational vehicle and bus markets. As evidenced by recent announcements, this momentum is definitely continuing. We are optimistic about our prospects for growth in the commercial, recreational and bus markets as well as the industrial vehicle market. In addition to the new vehicle or original equipment market (OEM), there are tremendous opportunities in the after-sales market which are substantially larger than the OEM market."

Net loss for the quarter decreased to \$4.3 million, or \$0.01 per share, for the third quarter of fiscal year 2006, from \$7.1 million, or \$0.03 per share, for the third quarter of fiscal year 2005. The net loss for the nine months ended April 30, 2006 was \$26.3 million, or a loss per share of \$0.09, compared to a net loss of \$13.6 million, or loss per share of \$0.07, for the same period last year. The substantial increase in the loss in the nine months ended April 30, 2006 was primarily due to non-cash interest and finance charges of \$20.8 million of which approximately \$16.1 million related to expenses incurred in connection with SmarTire's \$100 million equity line of credit. The charge was taken as uncertainty exists as to when SmarTire will register its equity line of credit.

Chief Financial Officer Jeff Finkelstein said, "Cash used to fund operating activities for the nine months ended April 30, 2006 was \$6.5 million, compared to \$5 million during the same period of the prior year. The increase in cash used was mainly due to a \$1 million interest payment on SmarTire's convertible debentures and \$250,000 to settle litigation with a debt holder."

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).

### **About SmarTire Systems Inc.**

SmarTire develops and markets proprietary advanced wireless sensing and control systems worldwide under the SmartWave™ trademark. The company has developed numerous patent-protected wireless technologies and advanced tire monitoring solutions since it was founded in 1987. The company's proprietary SmartWave platform provides a foundation for the addition of multiple wireless sensing and control applications. The initial product release on the SmartWave platform is SmartWave TPMS, which leverages on the company's background and knowledge in tire monitoring solutions. SmarTire has offices in North America and Europe. For more information, visit <http://www.smartire.com>.

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

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 contact Ken AuYeung or Frank Hawkins of Hawk Associates at (305) 451-1888, e-mail: [info@hawkassociates.com](mailto:info@hawkassociates.com), or e-mail questions to [SMTR@agoracom.com](mailto:SMTR@agoracom.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 risk that SmarTire does not realize ongoing revenue growth in the coming year, 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.*

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

	Three months ended April 30,		Nine months ended April 30,	
	2006	2005 (as restated)	2006	2005 (as restated)
Revenue	\$ 1,195,136	\$ 330,406	\$ 2,627,617	\$ 1,022,484
Cost of goods sold	<u>1,529,164</u>	<u>255,980</u>	<u>2,591,699</u>	<u>966,235</u>
Gross profit	(334,028)	74,426	35,918	56,249
Expenses	<u>2,294,596</u>	<u>7,001,729</u>	<u>4,835,300</u>	<u>11,027,054</u>
Loss from operations	(2,628,624)	(6,927,303)	(4,799,382)	(10,970,805)
Other (expenses)	<u>(1,631,588)</u>	<u>(207,788)</u>	<u>(21,524,358)</u>	<u>(2,652,126)</u>
Loss for the period	<u>\$ (4,260,212)</u>	<u>\$ (7,135,091)</u>	<u>\$ (26,323,740)</u>	<u>\$ (13,622,931)</u>
Loss per share	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.09)</u>	<u>\$ (0.07)</u>

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

	April 30, <u>2006</u>	July 31, 2005 <u>(as restated)</u>
Cash and cash equivalents	\$ 3,970,876	\$10,059,763
Total current assets	\$ 6,805,034	\$13,292,487
Deferred financing costs	\$ 1,801,259	\$18,209,280
Total assets	\$ 9,711,976	\$33,284,543
Current liabilities	\$ 2,012,145	\$ 5,781,918
Convertible debentures, net of equity portion of \$10,466,064 (long-term portion) (July 31, 2005 - \$10,111,082)	\$20,526,717	\$17,118,667
Derivative financial instruments	\$ 6,305,077	\$ -
Accrued interest on convertible debentures	\$ 1,487,671	\$ -
Preferred shares, net of equity portion of \$3,975,290 (July 31, 2005 - \$3,999,999)	\$ 24,710	\$ 1
Stockholders' equity (deficiency)	\$(20,864,637)	\$10,383,957
Total liabilities and Stockholders' equity (deficiency)	\$ 9,711,976	\$33,284,543