Letter To Shareholders Of MachineTalker, Inc.

5 May 2006

DEAR SHAREHOLDER:

Since last year you have been receiving periodic updates and press releases by email, not the usual letters that we produced earlier; so we felt it was time to summarize where we are with products, applications and recent arrangements.

Since the last formal letter, your Company has gone public, introduced container tracking software, delivered systems to the field for testing in containers by a major customer (KBR), provided seminars and demonstrations in a variety of venues, and has teamed with different companies to go after new business.

TESTING WITH KBR AND QUALCOMM®

Figure 1 depicts the latest interaction with KBR. The Talker® units (T) now operate inside a container, with a PC to the Internet, with a hand-held PDA and with QUALCOMM's OmniTRACS® mobile communications system. For emergency situations, the Company has proposed to locate Talkers® in the cabs of trucks in convoy to exchange information among the trucks and to pass on alerts and container status information to the several trucks that also have satellite link access.

The Company uses the OmniTRACS system to form a satellite link from Santa Barbara to San Diego (see Figure 2 and enclosed press release). Information generated in Santa Barbara can now be seen on the QTRACS® display posted for access over the Internet.

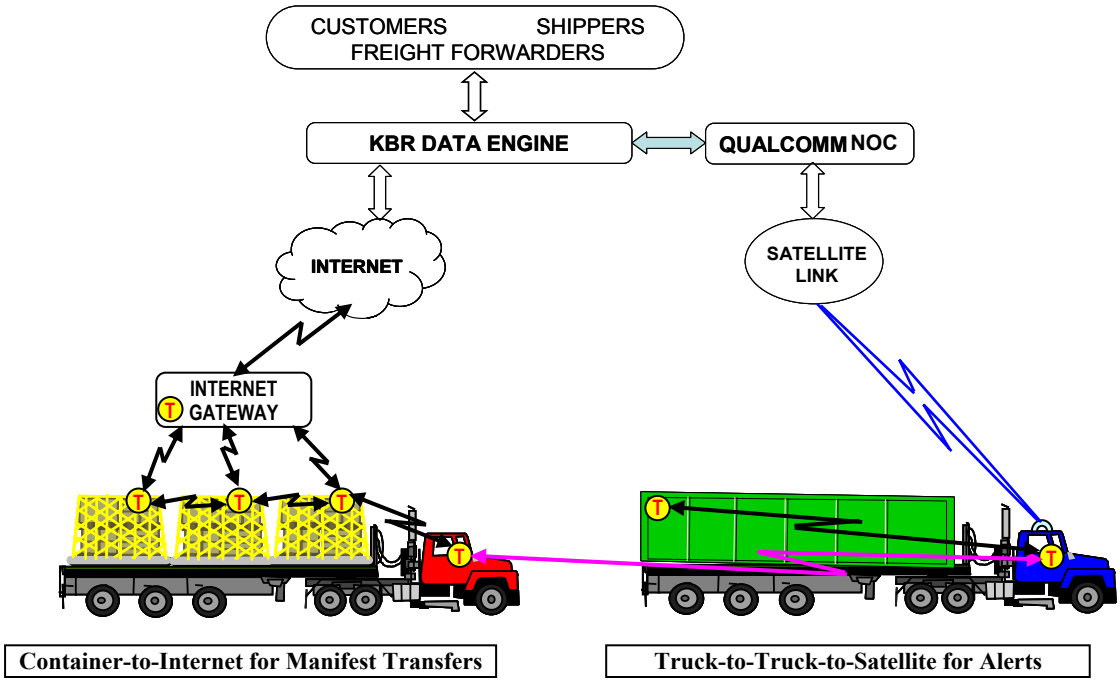


Figure 1 - Container-to-Truck & Truck -to-Truck in Convoy Application
(T) = ToughTalker™ Unit

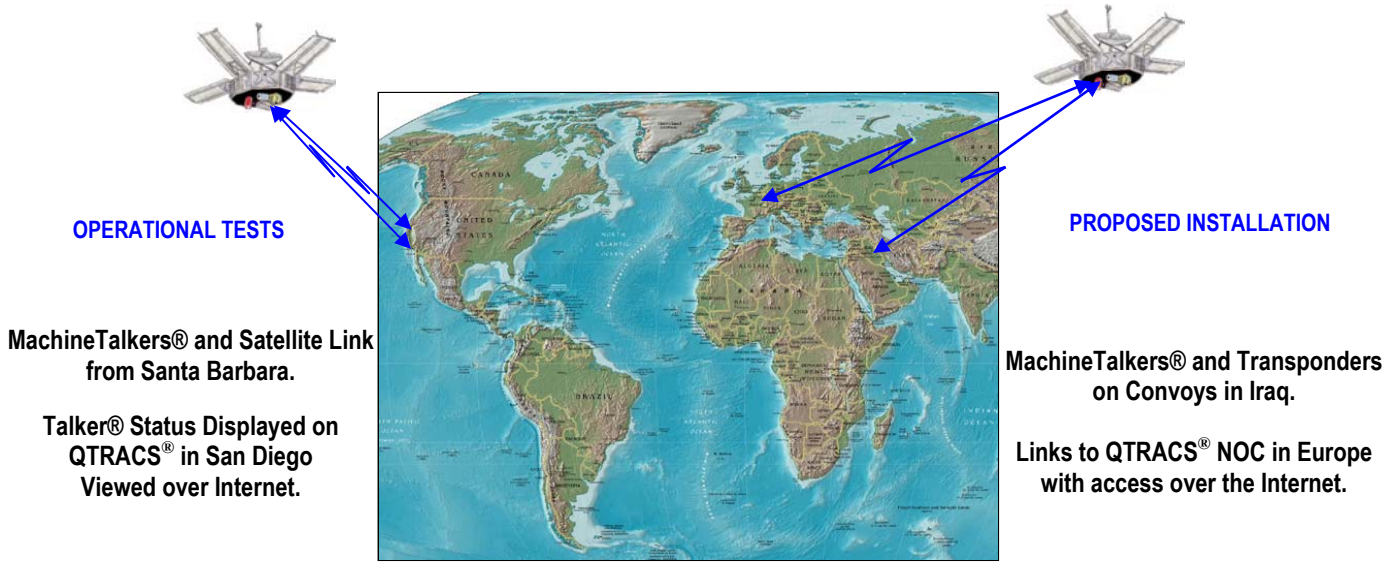


Figure 2 - QTRACS® Testing Today & Proposed European Hub

We have proposed that a convoy emergency alert system be implemented that would use on-board ToughTalker™ units placed with the drivers of each truck. Conditions inside a container are monitored and the Talker® in the truck is alerted if something is amiss. That event is passed on to other Talkers® in the convoy and ultimately to the one or two that are equipped with the OmniTRACS system. Similarly, the driver will have an emergency button that is connected to his resident Talker®, with the same results of notifying the NOC in Europe where alerts are re-transmitted to sites that can make an active response. Today's demonstration produces results seen over the Internet; but in the future access will be more immediate and direct.

CONTAINERTRACKER™ SOFTWARE RUNS IN PC "GATEWAY"

The subject of an earlier Shareholder Letter, the Company subsequently announced completion of its Container Tracker™ software (see press release). This software display system operates on a PC and interacts with a local MachineTalker® unit that is attached to the PC and which gives wireless access to the other Talkers® within its radio range. An operator sitting at the PC display console is thereby able to interrogate those other Talkers® that are inside shipping containers and to retrieve from them an event history about status changes or to read the freight manifests that they contain. The software also permits the operator to create a freight manifest for a given container and to down-load that information into the on-board Talker® unit. It is this software that permits the demonstration of Talker® capabilities during seminars and at trade shows. This software product is also the basis for addition of new monitor circuitry operated by the Talkers® and reported on screen or over the Internet.

NASA SBIR PROJECT - TEAMED WITH THESEUS LOGIC, INC.

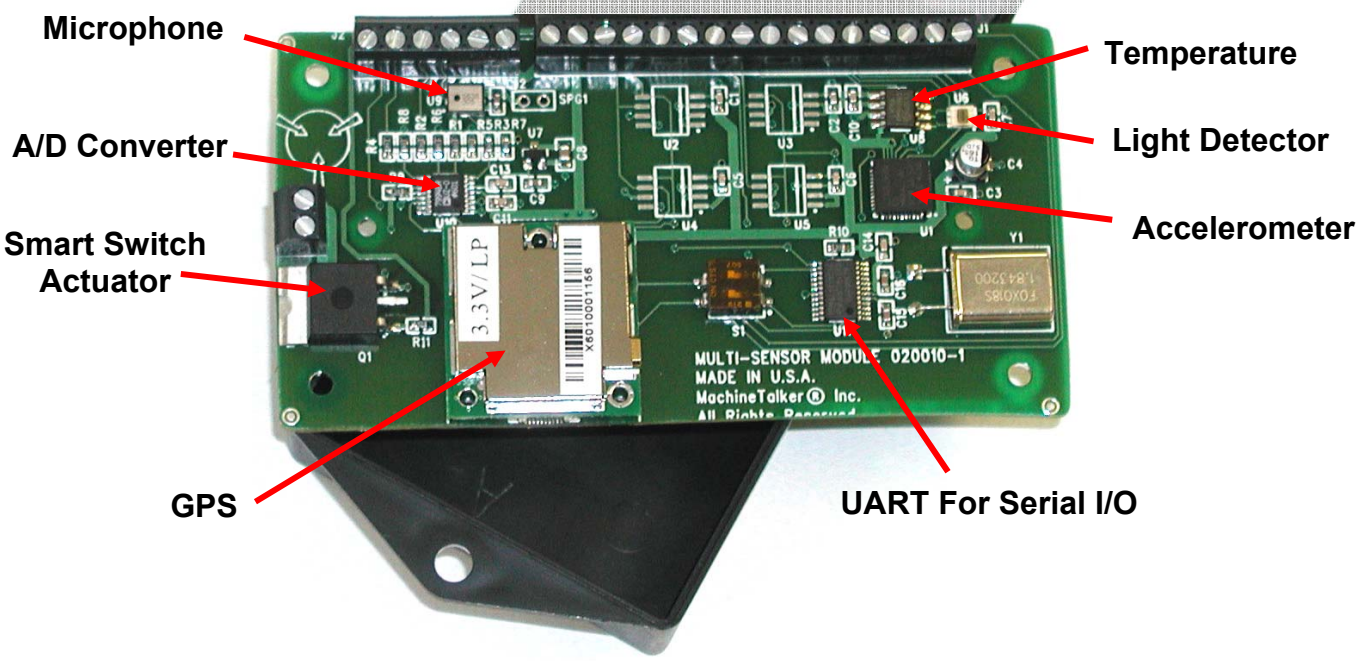
The Company is working on a small project with Theseus Logic, Inc., TLI, where the Talkers® will service many different types of biometric sensors (CO2, Temperature, Pressure, Tilt, and the like); while TLI will work on a new radio design that provides control signals suitable for the Talkers®. This is a NASA SBIR project which is a Government research project that is funded in three phases. The first phase is for proof of concept, followed by two more phases to develop a new product that embodies the features discovered in the first phase. We will provide more

information in the next report, and hope that this work will lead our Company to produce small biometric systems in the future.

NEW MULTI-SENSOR PACKAGE

To avoid having multiple cables from different sensors to a Talker®, the Company has packaged a selection of sensors and other accessories on a single circuit board for mounting within a small enclosure. One digital cable is used between this new multi-sensor unit and a Talker®; and all of the sensors obtain instructions and provide responses over that single cable connection. The circuit board can hold sensors for monitoring light, temperature, motion, sound, and location based on GPS. It also contains an Actuator for control of external devices and spaces for additional memory.

Actual size shown here with sensors indicated.



Safe Harbor Statement

Matters discussed in this Document contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this press release, the words "anticipate," "believe," "estimate," "may," "intend," "expect" and similar expressions identify 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 the Company and are subject to a number of risks and uncertainties. These include, but are not limited to, risks and uncertainties associated with: the impact of economic, competitive and other factors affecting the Company and its operations, markets, product, and distributor performance, the impact on the national and local economies resulting from terrorist actions, and U.S. actions subsequently; and other factors detailed in reports filed by the Company.

Please contact me if you have any comments, suggestions or questions.

Sincerely, Roland F. Bryan, President

MACHINETalker®

NEWS FROM MachineTalker, Inc.

MachineTalker® Debuts Multi-Sensor Capability

Santa Barbara, CA – May 8, 2006 – MachineTalker, Inc. (OTCBB: MTKN), developer of smart wireless security networks, today introduced an expanded set of capabilities for its flagship MachineTalker series of networked wireless communication devices. The new product, in concert with a MachineTalker, is capable of simultaneously monitoring multiple parameters, processing and assessing data content, and taking autonomous action.

The new package is capable of monitoring light, temperature, motion, sound, and location based on GPS. It also contains an actuator for control of external devices. Other sensors being added include CO2 detection and detection of radio-active particles.

"Last year our Company experimented with multiple sensors in NASA flight tests, by installing Talkers® on-board an Unmanned Aerial Vehicle or UAV. In that application, 8 sensors concerned with flight such as 3 gyros, 3 accelerometers and 2 pressure measurements were provided by NASA. This newest product contains sensors that lend themselves to terrestrial security issues," said Roland F. Bryan, MachineTalker's CEO.

It is a key feature of a MachineTalker to share information with adjacent Talkers, where each can process data from its own sensors and correlate results with information from other Talkers in the area. This means that parametric assessment can be made on site, and decisions made based upon real-time information.

According to Bryan, "The new product is also capable of reading analog signals, although more and more sensors are coming onto the market that are controlled by digital I/O means. It is this digital commonality among different sensors that permits consolidation like that available now from MachineTalker, Inc. We plan to install these add-on products along with MachineTalkers that will be deployed inside shipping containers, thereby adding ability to monitor container environment for security of cargo in transit."

About MachineTalker

MachineTalker, Inc., founded in 2002, has developed a breakthrough technology – smart security networks that allow governments, businesses and individuals to rapidly deploy wireless security and tracking systems to protect people, places and things. The Company's proprietary technology embodies innovative features in the networking of intelligent devices that form "communities" for shared processing and reporting of data in remote security and control applications. Contact:info@machinetalker.com or on the web at: www.machinetalker.com .

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