

MachineTalker, Inc. - Shareholder's Newsletter

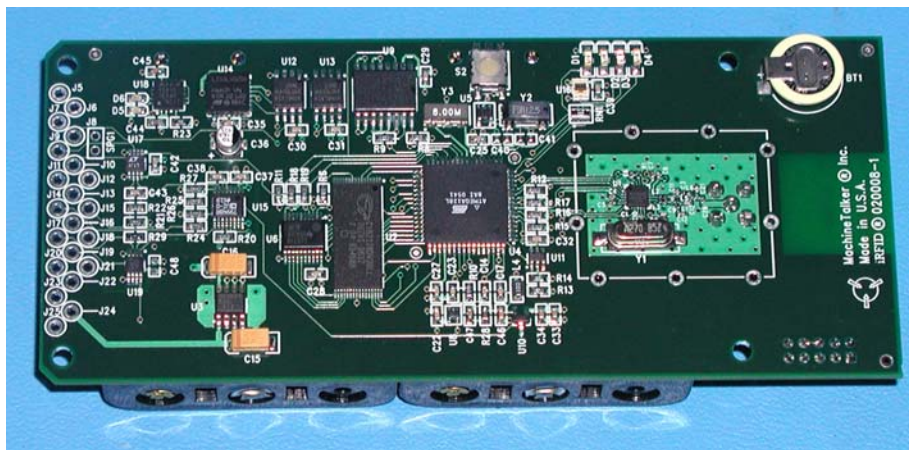
December 2006

Production Release

As the result of product demonstrations to potential customers, done directly by the Company or by our new OEM representatives (companies that resell our product), MachineTalkers® have been shown to work well in a number of applications. Each different demonstration has contributed valuable new design features that make the Talker® more versatile and its latest product release can be used for many purposes.

The MachineTalker® serviced five different biometric sensors at a remote site in a NASA demonstration; for others, it gathered data from sensors that monitor large generating systems, reported on location and status in a demonstration for satellite truck monitors, has been placed inside shipping containers to report the freight manifest, and will now be attached to shipping pallets for security of munitions in transport and storage.

The new commercial/industrial MachineTalker design is shown below. This version has all the basic MachineTalker features and is designed for mass production. It will be used immediately in several applications: mounted on a shipping pallet as an “intelligent” security and inventory monitor for military munitions transport; mounted on generators to monitor and record power, pressure and flow to be reported over the Internet, and mounted on petroleum storage tanks to detect and report on level changes in real-time.



Production MiniTalker® Circuit Board.
Note Locations on Left End to Attach Wiring for External Sensors.



AA Batteries on Reverse Side.



Tested and Ready for Enclosure.

The iRFID and the Sense-Comm Private Labeled Industrial Product

HERO Approval - 500 Units Ordered

A MiniTalker® newly enclosed within a thick plastic housing has been approved for location near explosives in storage or in transport. The picture shows our new iRFID (intelligent RFID) product that holds the complete freight manifest for a pallet full of munitions boxes containing explosive material that must be monitored and tracked. These units will be mounted on the pallets that hold a large number of munitions crates



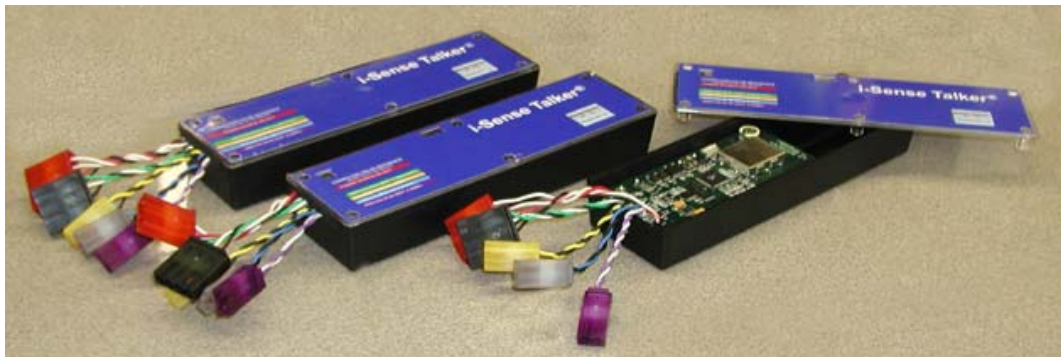
New iRFID - New Label (inset)



Munitions Warehouse Storing 100s of Pallets



Each Pallet could have its own iRFID Reporting to Talkers on Warehouse Ceiling



MiniTalker® Packaged with Industrial Connectors for Attaching External Sensors. These sealed Units are for Placement in Harsh Factory Areas, Refineries and Power Plants.

One Design for Two Different Applications

New variations are being built upon the basic Talker design which is being tailored to fit multiple applications. By retaining the same underlying software for mesh networking among MachineTalkers and adding features to the same hardware, the Company is able to maintain uniformity across the new product releases.

Versatility of product has been proven, and it is attendant upon the Company to bring this product to a wider number of customers where applications can be enhanced by using our product line. We are doing this by adding representative OEMs, that is, other companies will sell the resulting products to the industries and into the customer applications that they know. So far there are: Sense-Comm selling to the petroleum industry, LogConGroup selling to the Navy, and FreedomNY selling to the Army. Another Talker version asked for by a Canadian company is for a very inexpensive "Talker" to be placed aboard metropolitan busses for tracking and identification in a large city (see below). These are a few of the many uses for our invention, the basis of our product line. Gaining the involvement of independent systems integrators and OEMs is important for continued introduction of the MachineTalker into new applications.

Speaking of "invention", in October many of our patent claims were allowed by the U. S. Patent Office. This is great news for the Company and we have been asked to amplify on the rest of the claims. We have also developed new innovations for which we will make additional claims as part of another patent application.

New Customer Requirements Influence Design Variations

We have been asked by potential customers to provide two other product variations, both of which we believe to be very important to the growth of the Company and both require applied engineering resources. One variation will be a small, inexpensive Talker and the other an extra powerful MachineTalker that can process significant amounts of information at a remote site.

The reduced version of the MachineTalker is to be sold in quantity at the lowest price possible to meet two customer generated requirements. First, we have recently bid on a project to supply 20,000 miniature devices for use as intelligent ID units affixed to moving vehicles. The second requirement is a security application where individual items of valuable property must be protected as part of a group while in transit. The capability of this inexpensive Talker is minimal but it retains certain attributes of the MachineTalker.

The powerful MachineTalker version requires the addition of a second computer processor that can be used to analyze complex data from sensors, process signals from audible sources, and make comparisons with libraries of signals for pattern recognition. A typical example is the inquiry from an Italian consulting firm with the job to protect a 40 km fence surrounding an airport. One solution is to string 45 overlapping lengths of 1 km vibration-detecting wire with 45 Talkers, each equipped with a signal processor that pin-points the distance to the encroachment. There just may be a long U.S. fence in our future that could use powerful MachineTalkers.

Final Note: To increase our sales operation and make additions to Talker capability, the Company will seek additional funds through the sale of Restricted Shares to accredited investors.

Proceeds will be used to manufacture products in quantity so as to reduce the cost of goods, to develop and package customer requested versions of the product line, and to add technical sales and marketing personnel to introduce MachineTalkers into the many similar applications apparent in other industry markets.

For this fund raising, the Company is only to sell Restricted Shares that must be held for at least 1 year before they can be traded. There will be a discount off of the market price for those who purchase these shares because they will bear that restrictive legend. The benefit to the Company is that funds will become available immediately for the purposes outlined above and described in the forthcoming Offering Memorandum.

If you are interested in participating in this investment round, please contact the Company at 805-957-1680 and ask for me directly to obtain investment details.

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Please let me know if you have any questions about the products, the up-coming customer demonstrations or future plans. It will be a pleasure to speak with you.

Sincerely,
MachineTalker, Inc.



Roland F. Bryan
President & CEO

805-957-1680
805-448-7576 cell



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Safe Harbor Statement

Matters discussed in this shareholder's letter contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this document, 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. While reasonably expected, the company can make no assurances that there will be a material increase in actual trading volume. 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.

Alain Chardon Brings History of Sales Success to MachineTalker's® European Market Development

Sales Veteran's International Business Experience Expected to Accelerate Product Introduction

Santa Barbara, CA – December 5, 2006 – MachineTalker, Inc. (OTCBB: MTKN), developer of smart wireless security networks and tracking systems, today announced that Mr. Alain Chardon has joined the company as Manager, European Business Development. Mr. Chardon's existing contact network and decades of involvement in developing export / import transactions between the United States and Europe make him the ideal person to respond to and develop the inquiries coming from systems integrators and contractors in several different countries.

Mr. Chardon has a systems engineering background with degrees in physics. He has been active in the management of international manufacturing operations, from process instrumentation and the design of networks to negotiations concerning joint ventures among corporations in different countries. He has introduced and sold products for industrial automation and managed sales of telecommunication services in Europe. He has been instrumental in projects to implement process automation in France, Germany, Switzerland, Holland, Columbia and India..

Roland F. Bryan, MachineTalker's CEO said: "Alain's involvement will give us the means to follow-up on the numerous inquiries from Italy, France and other countries in the European marketplace for which our products offer perfect solutions. These uses have ranged from remote monitoring of perimeter security at government installations, to finding shipping containers lost overboard but still floating in the narrow shipping lanes of the Mediterranean Sea, posing a grave danger to shipping safety. Alain is our man in Europe to sell MachineTalker as the solution to these and many other sales inquiries."

Discussing the timing of his hire, Mr. Chardon said, "I have watched MachineTalker's growth over the past few years and I am extremely impressed with the product and the broad marketplace which the technology and the products address. My background and MachineTalker's early growth stage are a great complement to each other. This seems like an opportune inflection point in MachineTalker's ascendancy and I look forward to bringing long term sales growth to this exciting company."

Mr. Chardon holds a Bachelor's Degree in physics and a Master's Degree in engineering physics from the Swiss Federal Institute of Technology.

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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Programmable Security “Tag” - MachineTalker® iRFID

Reusable Security Monitor for Shipping Containers and Pallets

Santa Barbara, CA – December 11, 2006 – MachineTalker, Inc. (OTCBB: MTKN), developer of smart wireless security networks, has completed its first release of the iRFID, an Intelligent RFID for placement inside shipping containers and on shipping pallets to keep track of and report any disturbance or environmental change.

When interrogated, these Talker®-based units can report details about the shipment including freight manifest, consignment, ownership, source and contents along with a time-stamped event log. These first units are sealed for use on-board pallets of explosive materials to maintain inventory of munitions. The iRFID can reside in storage for long periods of time while reporting periodically to monitors in the area.

This particular unit has gained HERO approval so that it can be used to monitor “controlled” explosives. Other product variations will be housed in NEMA enclosures for location in dangerous atmospheres as well.

The Company’s wireless security products are for use in unattended remote applications where intelligence is needed to monitor the environment for harmful changes, to log events in real-time, make decisions and report details about the items being monitored. MachineTalker's automatically form a mesh network with nearby units and may share information with adjacent Talkers by radio and with Wide Area Networks like the Internet.



Priced at \$300 in small quantities, every unit can be programmed for one type of shipment and then reprogrammed for another application. Price is subject to quantity purchase discount for fleets of shipping containers, or large numbers of pallets where cargo is to be identified and monitored. In one application the purpose of a smaller version will be to keep a history of temperature change in a carton of smallpox vaccine to assure efficacy over time in transit and in storage.

HERO stands for Hazard of Electromagnetic Radiation to Ordnance, and is an assessment process that seeks to assure that any product that transmits radio frequency electromagnetic energy is not capable of accidental actuation of electro-explosive devices like fuses, or otherwise electrically activating ordnance.

NEMA, the National Electrical Manufacturer’s Association, provides standards to be met by electrical equipment in harsh environments to enable consumers to select from a range of safe, effective, and compatible electrical products.

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