

National Challenge Systems Inc.

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NEWS RELEASE

National Challenge Reports 49% Reduction in Net Loss for Q2 2007

Woodbridge, Ontario – February 12, 2007. **National Challenge Systems Inc.**, a leader in the provision of vacuum truck services for the collection, treatment and disposal of non-hazardous liquid waste, today announced financial results for its second quarter of fiscal 2007, ended December 31, 2006.

The net loss for the second quarter of fiscal 2007 was \$155,000, 49% or \$150,000 less than the net loss of \$305,000 for the same period last year. The gross margin was up 27% or \$254,000 to \$1,199,000 for the second quarter of fiscal 2007 from \$945,000 for the same period last year.

The net loss of \$144,000 for the six months ended December 31, 2006 was 73% or \$386,000 less than the net loss of \$530,000 for the first six months of fiscal 2006. The gross margin was \$2,565,000, up 32% or \$622,000 from \$1,943,000 in the same period last year.

The Company's single largest expense, residuals management is materially and positively impacted by the volume that can be accepted at third-party recycling sites in Ontario instead of transporting out of province. This situation again changed in the second quarter of fiscal 2007 as the Ontario recycling sites were affected by colder weather and they reduced the volume of residuals they received. The Company has no long-term contracts with these third-party recycling sites and therefore cannot predict with certainty the volume of material they will receive. However, the Company's profitability can be materially impacted by the volume of residuals these Ontario sites receive.

The Company continues to have large non-cash operating expenses including amortization of intangible assets related to the acquisition of its two operating subsidiaries. The amortization of the intangible assets was \$242,000 in each of the first two quarters of 2006 and 2007. The Company has been amortizing intangible assets since 2003 and effective May 31, 2007, \$4,550,000 of these intangibles assets related to customers and software will be fully amortized leaving only \$919,000 remaining related to patent license agreements. As a result, beginning in June 2007 the quarterly amortization charge will be reduced from \$242,000 to \$25,000 through to 2017.

Cash flows from operating activities for the three months ended December 31, 2006 improved by \$333,000, to a surplus of \$96,000 in fiscal 2007, from a shortfall of \$237,000 in the second quarter of fiscal 2006. The improvement was due to an increase in profitability and was moderated by a reduction in accounts payable of \$281,000. On a year to date basis, cash flows from operating activities were \$569,000 in fiscal 2007, an increase of \$417,000 compared to the same period in fiscal 2006, while accounts payable were reduced by \$294,000.

The comparative financial statements for both the three months and six months ending December 31, 2006, along with other information, may be obtained through the Company's website at www.nationalchallenge.com, or on SEDAR at www.sedar.com.

This press release is available on the Company's official on-line investor relations site for investor commentary, feedback and questions. Investors are asked to visit the investor relations section of the Company's website at http://www.nationalchallenge.com/NCS_Investor.asp. Alternatively, investors are asked to e-mail all questions and correspondence to Info@NationalChallenge.com where they can also request addition to the National Challenge investor e-mail list to receive all future press releases and updates directly.

About National Challenge Systems Inc.

National Challenge is Canada's largest provider of vacuum truck services for the collection, treatment and disposal of organic and other non-hazardous liquid waste. NCS services in excess of 8,000 commercial, industrial, institutional and residential customers in Ontario, Quebec, and British Columbia. Further information about NCS may be obtained at the Company's web site at www.nationalchallenge.com.

Note: Certain information contained in this press release may be forward-looking and therefore subject to unknown risks or uncertainties. The actual results, performance or achievements of National Challenge Systems Inc. may differ materially from the results, performance or achievements of the Company expressed or implied by such forward-looking statements.

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