

National Challenge Systems Inc.

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NEWS RELEASE

National Challenge Reports Revenues of \$12,076,000 for Nine Months

Woodbridge, Ontario – May 12, 2006. 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 third quarter of fiscal 2006 ended March 31, 2006.

Revenue for the three months ended March 31, 2006 was up 9% or \$352,000 from \$3,751,000 in third quarter of 2005 to \$4,103,000 in third quarter of 2006. Year to date revenue was up 15% or \$1,550,000 from \$10,526,000 in 2005 to \$12,076,000 in 2006. The increase is primarily the result of the price increase to its Ontario customers that the Company put into effect beginning in December 2004 in order to offset the increase in recycling costs.

In light of the recent developments in Ontario, and the Company's knowledge of organic recycling options in general, NCS believes that an anaerobic digestion industry is emerging in Ontario, and that it will ultimately provide a low-cost, long-term recycling solution for all of the organic residuals the Company does and can collect. As a result, the Company has decided to suspend efforts to re-permit and expand its Direct Land Application Process ("DLAP") facilities in Ontario. In the interim, the Company continues to use higher cost recycling alternatives including transporting material out of province to third party recycling sites. Consequently, waste recycling costs year to date are up 41% over the last year.

Year to date the net loss increased by \$154,000, from \$775,000 in 2005 to \$929,000 in 2006. The net loss for the third quarter of 2006 was \$398,000 up \$219,000 from the net loss of \$179,000 in the third quarter of 2005. The Company continues to have large non-cash operating expenses including amortization of intangible assets related to the acquisition of its two operating subsidiaries, and the amortization of these intangible assets was \$242,000 in the third quarters of both 2006 and 2005 and year to date of \$727,000 in both 2006 and 2005.

For the first nine months of 2006, cash flow from operating activities improved by \$257,000 or 88% from \$291,000 in 2005 to \$548,000 in 2006. Cash flow from operating activities for the third quarter of 2006 was \$395,000 compared to \$54,000 for the same quarter last year.

The comparative financial statements for the nine months ending March 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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