

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: June 30, 2005

or

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE
EXCHANGE ACT
For the transition period from _____ to _____

Commission File Number: 0-26520

NEOPROBE CORPORATION
(Exact name of small business issuer as specified in its charter)

Delaware 31-1080091
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) identification no.)

425 Metro Place North, Suite 300, Dublin, Ohio 43017
(Address of principal executive offices)

614.793.7500
(Issuer's telephone number)

58,586,008 shares of common stock, par value \$.001 per share
(Number of shares of issuer's common equity outstanding as of the
close of business on August 1, 2005)

Transitional Small Business Disclosure Format (check one) Yes No

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Neoprobe Corporation and Subsidiaries
Consolidated Balance Sheets

ASSETS	June 30, December 31,	
	2005	2004
	(unaudited)	
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 4,574,985	\$ 9,842,658
Available-for-sale securities	4,229,868	--
Accounts receivable, net	370,991	411,856
Inventory	756,907	855,022
Prepaid expenses and other	154,755	327,408
	-----	-----
Total current assets	10,087,506	11,436,944

Property and equipment	2,380,471	2,341,785
Less accumulated depreciation and amortization	2,079,029	2,003,942
	301,442	337,843
Patents and trademarks	3,163,897	3,155,334
Non-compete agreements	584,516	584,516
Acquired technology	237,271	237,271
	3,985,684	3,977,121
Less accumulated amortization	1,670,563	1,458,012
	2,315,121	2,519,109
Other assets	975,567	1,071,999
Total assets	\$13,679,636	\$15,365,895

Continued

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Neoprobe Corporation and Subsidiaries
Consolidated Balance Sheets, continued

<TABLE>

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LIABILITIES AND STOCKHOLDERS' EQUITY	June 30,	December 31,
2005 (unaudited)	2004	
	<C>	<C>
<S>		
Current liabilities:		
Notes payable to finance companies	\$ 87,825	\$ 242,722
Accounts payable	418,362	198,912
Accrued liabilities and other	417,762	378,247
Capital lease obligations, current	17,585	13,863
Deferred revenue, current	311,843	176,192
Total current liabilities	1,253,377	1,009,936
Capital lease obligations	39,272	30,297
Deferred revenue	52,480	57,591
Notes payable to CEO, net of discounts of \$29,373 and \$32,204, respectively	70,627	67,796
Notes payable to investor, net of discounts of \$2,349,794 and \$2,576,302, respectively	5,650,206	5,423,698
Liability related to warrants to purchase common stock	--	2,560,307
Other liabilities	42,530	52,440
Total liabilities	7,108,492	9,202,065

Commitments and contingencies

Stockholders' equity:

Preferred stock; \$.001 par value; 5,000,000

shares authorized at June 30, 2005 and December 31, 2004; none issued and outstanding (500,000 shares designated as Series A, \$.001 par value, at June 30, 2005 and and December 31, 2004; none outstanding)	--	--
Common stock; \$.001 par value; 150,000,000 shares authorized, 58,585,008 shares issued and outstanding at June 30, 2005; 100,000,000 shares authorized, 58,378,143 shares issued and outstanding at December 31, 2004	58,585	58,378
Additional paid-in capital	134,884,054	132,123,605
Accumulated deficit	(128,365,335)	(126,018,153)
Accumulated other comprehensive loss	(6,160)	--
	-----	-----
Total stockholders' equity	6,571,144	6,163,830
	-----	-----
Total liabilities and stockholders' equity	\$ 13,679,636	\$ 15,365,895
	=====	=====

</TABLE>

See accompanying notes to the consolidated

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financial statements.
Neoprobe Corporation and Subsidiaries
Consolidated Statements of Operations
(unaudited)

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	-----	-----	-----	-----
	<C>	<C>	<C>	<C>
Revenues:				
Net sales	\$ 1,700,878	\$ 1,347,928	\$ 3,166,765	\$ 2,573,545
License and other revenue	--	200,000	--	400,000
	-----	-----	-----	-----
Total revenues	1,700,878	1,547,928	3,166,765	2,973,545
	-----	-----	-----	-----
Cost of goods sold	642,233	508,639	1,205,556	1,048,781
	-----	-----	-----	-----
Gross profit	1,058,645	1,039,289	1,961,209	1,924,764
	-----	-----	-----	-----
Operating expenses:				
Research and development	1,303,369	594,730	1,941,814	1,177,830
Selling, general and administrative	827,832	853,149	1,663,947	1,666,542
	-----	-----	-----	-----
Total operating expenses	2,131,201	1,447,879	3,605,761	2,844,372
	-----	-----	-----	-----
Loss from operations	(1,072,556)	(408,590)	(1,644,552)	(919,608)
	-----	-----	-----	-----
Other income (expenses):				
Interest income	67,916	4,824	108,879	5,357
Interest expense	(333,905)	(43,795)	(661,478)	(116,153)
Increase in warrant liability	--	--	(142,427)	--
Other	(5,866)	17,688	(7,604)	11,954

Total other expenses	(271,855)	(21,283)	(702,630)	(98,842)
Net loss	\$ (1,344,411)	\$ (429,873)	\$ (2,347,182)	\$ (1,018,450)
Net loss per common share:				
Basic	\$ (0.02)	\$ (0.01)	\$ (0.04)	\$ (0.02)
Diluted	\$ (0.02)	\$ (0.01)	\$ (0.04)	\$ (0.02)
Weighted average shares outstanding:				
Basic	58,455,008	57,727,298	58,386,434	55,388,205
Diluted	58,455,008	57,727,298	58,386,434	55,388,205

See accompanying notes to the consolidated

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financial statements.
Neoprobe Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited)

<TABLE>
<CAPTION>

	Six Months Ended June 30,	
	2005	2004
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	\$(2,347,182)	\$(1,018,450)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	300,560	296,520
Amortization of debt discount and offering costs	329,611	95,557
Increase in warrant liability	142,427	--
Other	2,450	79,896
Changes in operating assets and liabilities:		
Accounts receivable	40,865	536,508
Inventories	84,596	4,534
Prepaid expenses and other assets	201,739	108,472
Accounts payable	219,450	111,304
Accrued liabilities and other liabilities	29,585	88,348
Deferred revenue	130,540	(515,242)
Net cash used in operating activities	(865,359)	(212,553)
Cash flows from investing activities:		
Purchases of available-for-sale securities	(4,744,030)	--
Proceeds from maturities of available-for-sale securities	500,000	--
Purchases of property and equipment	(45,743)	(42,935)
Proceeds from sales of property and equipment	11,855	375
Patent and trademark costs	(10,898)	(12,108)
Net cash used in investing activities	(4,288,816)	(54,668)
Cash flows from financing activities:		
Proceeds from issuance of common stock	57,922	2,293,073
Payment of offering costs	--	(16,423)
Payment of debt issuance costs	(9,635)	--
Payment of notes payable	(154,897)	(158,544)
Payments under capital leases	(6,908)	(9,503)

Minority interest in subsidiary	20	--
	-----	-----
Net cash (used in) provided by financing activities	(113,498)	2,108,603
	-----	-----
Net (decrease) increase in cash and cash equivalents	(5,267,673)	1,841,382
Cash and cash equivalents, beginning of period	9,842,658	1,588,760
	-----	-----
Cash and cash equivalents, end of period	<u>\$ 4,574,985</u>	<u>\$ 3,430,142</u>

</TABLE>

See accompanying notes to the consolidated financial statements.

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Notes to the Consolidated Financial Statements
(unaudited)

1. Basis of Presentation

The information presented as of June 30, 2005 and 2004 and for the periods then ended is unaudited, but includes all adjustments (which consist only of normal recurring adjustments) that the management of Neoprobe Corporation (Neoprobe, the company, or we) believes to be necessary for the fair presentation of results for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. The results for the interim periods are not necessarily indicative of results to be expected for the year. The consolidated financial statements should be read in conjunction with Neoprobe's audited consolidated financial statements for the year ended December 31, 2004, which were included as part of our Annual Report on Form 10-KSB.

Our consolidated financial statements include the accounts of Neoprobe, our wholly-owned subsidiary, Cardiosonix Ltd. (Cardiosonix), and our 90%-owned subsidiary, CIRA Biosciences, Inc. (CIRA Bio). All significant inter-company accounts were eliminated in consolidation.

2. Stock Options

The following table illustrates the effect on net loss and net loss per share if compensation cost for our stock-based compensation plans had been determined based on the fair value at the grant dates for awards under those plans consistent with Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation:

	Three Months Ended June 30,	
	2005	2004
	-----	-----
Net loss, as reported	\$ (1,344,411)	\$ (429,873)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(91,470)	(69,847)
	-----	-----
Pro forma net loss	<u>\$ (1,435,881)</u>	<u>\$ (499,720)</u>
Loss per common share:		
As reported (basic and diluted)	\$ (0.02)	\$ (0.01)
Pro forma (basic and diluted)	\$ (0.02)	\$ (0.01)

Six Months Ended
June 30,

2005 2004

Net loss, as reported	\$ (2,347,182)	\$ (1,018,450)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(305,770)	(132,621)

Pro forma net loss \$ (2,652,952) \$ (1,151,071)

Loss per common share:

As reported (basic and diluted)	\$ (0.04)	\$ (0.02)
Pro forma (basic and diluted)	\$ (0.05)	\$ (0.02)

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During the first six months of 2005, the Board of Directors granted options to directors and certain employees to purchase 338,000 shares of our common stock, exercisable at an average price of \$0.67 per share, vesting over three years. As of June 30, 2005, we have 5.0 million options outstanding under three stock option plans. Of the outstanding options, 3.0 million options have vested as of June 30, 2005, at an average exercise price of \$0.47 per share.

3. Comprehensive Income (Loss)

Due to our net operating loss position, there are no income tax effects on comprehensive income (loss) components for the three-month and six-month periods ended June 30, 2005.

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Net loss	\$ (1,344,411)	\$ (2,347,182)
Unrealized losses on securities	(3,962)	(6,160)
Other comprehensive loss	\$ (1,348,373)	\$ (2,353,342)

We had no accumulated other comprehensive income (loss) activity during the three-month and six-month periods ended June 30, 2004.

4. Earnings Per Share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the periods. Diluted earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the periods, adjusted for the effects of convertible securities, options and warrants, if dilutive.

<TABLE>
<CAPTION>

	Three Months Ended June 30, 2005		Three Months Ended June 30, 2004	
	Basic Earnings Per Share	Diluted Earnings Per Share	Basic Earnings Per Share	Diluted Earnings Per Share
Outstanding shares	58,585,008	58,585,008	58,087,057	58,087,057
Effect of weighting changes in outstanding shares	--	--	(229,759)	(229,759)
Contingently issuable shares	(130,000)	(130,000)	(130,000)	(130,000)

Adjusted shares	58,455,008	58,455,008	57,727,298	57,727,298
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<CAPTION>

	Six Months Ended June 30, 2005		Six Months Ended June 30, 2004	
	Basic Earnings Per Share	Diluted Earnings Per Share	Basic Earnings Per Share	Diluted Earnings Per Share
<S>	<C>	<C>	<C>	<C>
Outstanding shares	58,585,008	58,585,008	58,087,057	58,087,057
Effect of weighting changes in outstanding shares	(68,574)	(68,574)	(2,568,852)	(2,568,852)
Contingently issuable shares	(130,000)	(130,000)	(130,000)	(130,000)
Adjusted shares	58,386,434	58,386,434	55,388,205	55,388,205

</TABLE>

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There is no difference in basic and diluted loss per share related to the three-month and six-month periods ended June 30, 2005 and 2004. The net loss per common share for these periods excludes the number of common shares issuable upon exercise of outstanding stock options and warrants into our common stock or upon the conversion of convertible debt since such inclusion would be anti-dilutive.

5. Available-for-Sale Securities

Available-for-sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of other comprehensive income (loss) until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis.

A decline in the market value of any available-for-sale security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Premiums and discounts are amortized or accreted over the life of the related available-for-sale security as an adjustment to yield using the effective interest method. Dividend and interest income are recognized when earned.

Available-for-sale securities are classified as current based on our intent to use them to fund short-term working capital needs.

6. Inventory

The components of inventory are as follows:

	June 30, 2005 (unaudited)	December 31, 2004
Materials and component parts	\$ 536,635	\$ 486,323
Finished goods	220,272	368,699
	\$ 756,907	\$ 855,022

7. Intangible Assets

The major classes of intangible assets are as follows:

<TABLE>
<CAPTION>

	June 30, 2005 (unaudited)		December 31, 2004	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and trademarks	\$ 3,163,897	\$ 1,039,010	\$ 3,155,334	\$ 915,571
Non-compete agreements	584,516	512,263	584,516	440,005
Acquired technology	237,271	119,290	237,271	102,436
	<u>\$ 3,985,684</u>	<u>\$ 1,670,563</u>	<u>\$ 3,977,121</u>	<u>\$ 1,458,012</u>

</TABLE>

The estimated future amortization expenses for the next five fiscal years are as follows:

	Estimated Amortization Expense
For the year ended 12/31/2005	\$ 423,524
For the year ended 12/31/2006	267,576
For the year ended 12/31/2007	235,237
For the year ended 12/31/2008	205,170
For the year ended 12/31/2009	170,940

8. Product Warranty

We warrant our products against defects in design, materials, and workmanship generally for a period of one year from the date of sale to the end customer. Our accrual for warranty expenses is adjusted periodically to reflect actual experience. Our primary marketing partner, Ethicon Endo-Surgery, Inc. (EES), a Johnson and Johnson company, also reimburses us for a portion of warranty expense incurred based on end customer sales they make during a given fiscal year. Payments charged against the reserve are disclosed net of EES' reimbursement.

The activity in the warranty reserve account for the three-month and six-month periods ended June 30, 2005 and 2004 is as follows:

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Warranty reserve at beginning of period	\$ 66,500	\$ 53,000	\$ 66,000	\$ 53,000
Provision for warranty claims and changes in reserve for warranties	7,040	(7,000)	30,613	(7,000)
Payments charged against the reserve	(24,945)	--	(48,018)	--
Warranty reserve at end of period	<u>\$ 48,595</u>	<u>\$ 46,000</u>	<u>\$ 48,595</u>	<u>\$ 46,000</u>

</TABLE>

9. Notes Payable

In December 2004, we completed a private placement of four-year convertible promissory notes in an aggregate principal amount of \$8.1 million with Biomedical Value Fund, L.P., Biomedical Offshore Value Fund, Ltd. and David C. Bupp (our President and CEO). Biomedical Value Fund, L.P. and Biomedical Offshore Value Fund, Ltd. are funds managed by Great Point Partners, LLC. The notes bear interest at 8% per annum, payable quarterly on each March 31, June 30, September 30 and December 31 of each year, and are freely convertible into shares of our common stock at a price of \$0.40 per share. Neoprobe may force conversion of the notes prior to their stated maturity under certain circumstances. All of our material assets, except the intellectual property associated with our LymphoseekTM and RIGS(R) products under development, have been pledged as collateral for these notes.

In addition to the security interest in our assets, the notes carry substantial covenants that impose significant requirements on us, including, among others, requirements that: we pay all principal, interest and other charges on the notes when due; we use the proceeds from the sale of the notes only for permitted purposes such as Lymphoseek development and general corporate purposes; we nominate and recommend for election as a director a person designated by the holders of the notes (as of June 30,

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2005, the holders of the notes have not designated a potential board member); we keep reserved out of our authorized shares of common stock sufficient shares to satisfy our obligation to issue shares on conversion of the notes and the exercise of the warrants issued in connection with the sale of the notes; we achieve annual revenues on a consolidated basis of at least \$5.4 million in 2005, \$6.5 million in 2006, and \$9.0 million in each year thereafter; we maintain minimum cash and securities balances of \$4.5 million at the end of the first six months of 2005, \$4.0 million at the end of the second six months of 2005, and \$3.5 million at the end of each six-month period thereafter; and we indemnify the purchasers of the notes against certain liabilities. Additionally, with certain exceptions, the notes prohibit us from: amending our organizational or governing agreements and documents, entering into any merger or consolidation, dissolving the company or liquidating its assets, or acquiring all or any substantial part of the business or assets of any other person; engaging in transactions with any affiliate; entering into any agreement inconsistent with our obligations under the notes and related agreements; incurring any indebtedness, capital leases, or contingent obligations outside the ordinary course of business; granting or permitting liens against or security interests in our assets; making any material dispositions of our assets outside the ordinary course of business; declaring or paying any dividends or making any other restricted payments; or making any loans to or investments in other persons outside of the ordinary course of business.

As part of this transaction, we issued the investors 10,125,000 Series T warrants to purchase our common stock at an exercise price of \$0.46, expiring in December 2009. The fair value of the warrants issued to the investors was \$1,315,000 on the date of issuance and was determined by a third-party valuation expert using the Black-Scholes option pricing model with the following assumptions: an average risk-free interest rate of 3.4%, volatility of 50% and no expected dividend rate. In connection with this financing, we also issued 1,600,000 warrants to purchase our common stock to the placement agents, containing substantially the same terms as the warrants issued to the investors. The fair value of the warrants issued to the placement agents was \$208,014 using the Black-Scholes option pricing model with the same assumptions used to determine the fair value of the warrants issued to the investors. The value of the beneficial conversion feature of the notes was estimated at \$1,315,000 based on the effective conversion price at the date of issuance. The fair value of the warrants issued to the investors and the value of the beneficial conversion feature were recorded as discounts on the notes and are being amortized over the term of the notes using an effective interest rate of 19.8%. The fair value of the warrants issued to the placement agents was

recorded as a deferred debt issuance cost and is being amortized over the term of the notes. If we issue equity at prices below the conversion rate for the promissory notes (and for the warrants below the exercise price), then we would be required to reset the exercise and conversion prices for these securities. This provision results in a contingent beneficial conversion feature that may require us to estimate an additional debt discount if a reset occurs.

U.S. generally accepted accounting principles also required us to classify the warrants issued in connection with the placement as a liability due to penalty provisions contained in the securities purchase agreement. The penalty provisions could have required us to pay a penalty of 0.0667% per day of the total debt amount if we failed to meet certain registration deadlines, or if our stock was suspended from trading for more than 30 days. As a liability, the warrants were considered a derivative instrument that were required to be periodically "marked to market" on our consolidated balance sheet. We estimated the fair value of the warrants at December 31, 2004 using the Black-Scholes option pricing model with the following assumptions: an average risk-free interest rate of 3.4%, volatility of 50% and no expected dividend rate. On February 16, 2005, Neoprobe and the investors confirmed in writing their intention that the penalty provisions which led to this accounting treatment were intended to apply only to the \$8.1 million principal balance of the promissory notes and underlying conversion shares and not to the warrant shares. Because the value of our stock increased \$0.02 per share from \$0.59 per share at December 31, 2004 to \$0.61 per share at February 16, 2005, the effect of marking the warrant liability to "market" resulted in an increase in the estimated fair value of the warrant liability of \$142,427 which was recorded as non-cash expense during the first quarter of 2005. The estimated fair value of the warrant liability was then reclassified to additional paid-in capital during the first quarter of 2005.

10. Stock Warrants

During the first six months of 2005, 143,278 of our Series R and 63,587 of our Series S warrants that were issued in October 2003 were exercised and we realized net proceeds of \$57,922.

At June 30, 2005 there are 17.0 million warrants outstanding to purchase our common stock. The warrants are exercisable at prices ranging from \$0.13 to \$0.75 per share with a weighted average exercise price \$0.40 per share.

11. Segment and Subsidiary Information

We own or have rights to intellectual property involving two primary types of medical device products, including gamma detection instruments currently used primarily in the application of intraoperative lymphatic mapping (ILM), and blood flow measurement devices. We also own or have rights to intellectual property related to several drug and therapy products.

The information in the following table is derived directly from each segment's internal financial reporting used for corporate management purposes. Selling, general and administrative expenses and other expenses, including amortization, interest and other costs that relate primarily to corporate activity, are not currently allocated to the operating segments for financial reporting purposes.

<TABLE>
<CAPTION>

(\$ amounts in thousands) Three Months Ended June 30, 2005	Gamma Detection Devices	Blood Flow Devices	Drug and Therapy Products	Unallocated	Total
<S>	<C>	<C>	<C>	<C>	<C>
Net sales:					
United States(1)	\$ 1,596	\$ -	\$ -	\$ -	\$ 1,596

International	16	89	-	-	105	
Research and development expenses		84	390	829	-	1,303
Selling, general and administrative expenses	-	-	-	828	828	
Income (loss) from operations(2)		918	(334)	(829)	(828)	(1,073)
Other expenses	-	-	-	(272)	(272)	

Three Months Ended June 30, 2004

Net sales:						
United States(1)	\$ 1,321	\$ -	\$ -	\$ -	\$ 1,321	
International	27	-	-	-	27	
License and other revenue		200	-	-	-	200
Research and development expenses		140	335	120	-	595
Selling, general and administrative expenses	-	-	-	853	853	
Income (loss) from operations(2)		955	(391)	(120)	(853)	(409)
Other expenses	-	-	-	(21)	(21)	

</TABLE>

<TABLE>

<CAPTION>

(\$ amounts in thousands)	Gamma	Blood Flow	Drug and			
Six Months Ended June 30, 2005	Detection	Devices	Therapy	Unallocated	Total	
	Devices		Products			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales:						
United States(1)	\$ 2,950	\$ 56	\$ -	\$ -	\$ 3,006	
International	58	103	-	-	161	
Research and development expenses		122	740	1,080	-	1,942
Selling, general and administrative expenses	-	-	-	1,664	1,664	
Income (loss) from operations(2)		1,745	(646)	(1,080)	(1,664)	(1,645)
Other expenses	-	-	-	(703)	(703)	

Six Months Ended June 30, 2004

Net sales:						
United States(1)	\$ 2,486	\$ -	\$ -	\$ -	\$ 2,486	
International	50	38	-	-	88	
License and other revenue		400	-	-	-	400
Research and development expenses		281	669	228	-	1,178
Selling, general and administrative expenses	-	-	-	1,667	1,667	
Income (loss) from operations(2)		1,675	(700)	(228)	(1,667)	(920)
Other expenses	-	-	-	(99)	(99)	

</TABLE>

- (1) All sales to EES are made in the United States. EES distributes the product globally through its international affiliates.
- (2) Income (loss) from operations does not reflect the allocation of selling, general and administrative expenses to the operating segments.

12. Supplemental Disclosure for Statements of Cash Flows

During the first six months of 2005 and 2004, we paid interest aggregating \$332,000 and \$19,000, respectively. During the first six months of 2005 and 2004, we purchased equipment under capital leases totaling \$20,000 and \$27,000, respectively. During the first six months of 2004, an outside investor converted the entire balance of a \$250,000 note into 1.1 million shares of our common stock. Also during the first six months of 2004, certain warrant holders exercised 173,544 warrants on a cashless basis in exchange for 116,571 shares of common stock.

Neoprobe Corporation is a biomedical technology company that provides innovative surgical and diagnostic products that enhance patient care by meeting the critical decision-making needs of physicians. The December 2001 acquisition of Cardiosonix Ltd. (Cardiosonix) expanded our potential product offerings beyond the neo2000 gamma detection device, which is marketed in the oncology arena, into the area of blood flow measurement and cardiac care. Cardiosonix is commercializing a unique line of proprietary blood flow monitoring devices for a variety of diagnostic and surgical applications and has received marketing clearance for two of its products, Quantix/ND(TM) and Quantix/OR(TM), in Europe and in the U.S. In addition to our medical device products, we have two radiopharmaceutical products, Lymphoseek(TM) and RIGScan(R) CR, in the advanced phases of clinical development. In January 2005 we also formed a new subsidiary, CIRA Biosciences, Inc. (CIRA Bio) to advance our activated cellular therapy (ACT) platform.

This Overview section contains a number of forward-looking statements, all of which are based on current expectations. Actual results may differ materially from the anticipated results discussed herein. Our financial performance is highly dependent on our ability to continue to generate income and cash flow from our gamma device product line and on our ability to successfully commercialize the blood flow products of our subsidiary,

Cardiosonix. We cannot assure you that we will achieve the volume of sales anticipated, or if achieved, that the margin on such sales will be adequate to produce positive operating cash flow. We continue to be optimistic about the longer-term potential for our other proprietary, procedural-based technologies such as Lymphoseek, RIGS(R) (radioimmunoguided surgery) and ACT; however, these technologies are not anticipated to generate any significant revenue for us during 2005 or 2006. In addition, we cannot assure you that these products will ever obtain marketing clearance from the appropriate regulatory bodies.

Our revenue for the first six months of 2005 was somewhat higher than our original expectations. Unit sales of our gamma detection devices year-to-date were consistent with our expectations; however, we experienced both an increase in average sales prices and higher than normal sales of extended service agreements during the period. Our sales of blood flow measurement devices represents a combination of demonstration and customer unit sales following the launch of a redesigned Quantix/OR device late in the first quarter of 2005. We continue to expect net sales of gamma detection devices for 2005 to be consistent with 2004 and that our sales of blood flow measurement devices will continue to increase during the second half of 2005 over the first half of the year. However, due to the time necessary to retrain our distributor base as well as the normal capital product sales cycle, sales of Quantix(R) devices during the remainder of 2005 are more likely to be weighted in the fourth quarter and are still highly dependent upon physician response to the product.

Our operating expenses during the first six months of 2005 were focused primarily on support for our Lymphoseek product development. In addition, we continued to make significant investments in CIRA Bio's ACT technology and our Quantix blood flow measurement line as well as modest investments in our neo2000(R) gamma detection device product line. We expect our development expenses to increase over the remainder of 2005 as we complete non-clinical testing, conclude certain drug manufacturing and validation activities and prepare to begin multi-center clinical evaluation of Lymphoseek. We expect to continue to incur development expenses to support and innovate our device product lines as well as move our other initiatives forward. We will also continue to invest in marketing and development support for our blood flow products during 2005 as we work with our distribution partners and independent sales representatives to complete the commercialization of our Quantix product lines.

Our efforts thus far in 2005 have resulted in the following milestone achievements:

- o Received 501(k) and CE Mark clearances to market the redesigned Quantix/OR system;

- o Established corporate Investigational New Drug (IND) application for Lymphoseek and submitted multi-center clinical protocol and related materials to FDA under the IND;
- o Received initial feedback to the Lymphoseek IND from the FDA;
- o Licensed methodology patents strengthening RIGS intellectual property estate;
- o Expanded Lymphoseek license to cover photodynamic and ultrasound applications; and
- o Received positive independent technology assessment of CIRA Bio's ACT platform.

We are in the process of completing certain pre-clinical and animal testing requested by the FDA in their feedback to our Lymphoseek IND submission. We expect these pre-clinical studies to be completed within the next 30 days. Following the FDA's review of the pre-clinical results, we expect to begin enrollment in a Phase II multi-center study at five leading cancer centers in the U.S. The Phase II study is expected to be completed midway through the fourth quarter of 2005. We are also continuing our manufacturing scale-up and validation activities to support the upcoming clinical trials. As a result of these activities, we expect our development expenses related to Lymphoseek to increase over the remainder of 2005 and into 2006, although we continue to believe our estimate of \$5 million in out-of-pocket development costs remains appropriate. Our overall timeline for Lymphoseek remains focused on completing the Phase II study followed by a pivotal clinical trial to support our goal of filing a New Drug Application (NDA) for Lymphoseek by mid-2006.

With respect to our RIGS initiative, our current efforts are focused on identifying and securing a development partner. At present, we estimate the expenses to prepare for and conduct a Phase III clinical trial for RIGScan CR will total approximately \$25 million. However, expenses for

these projects may change based on feedback from the regulatory agencies and/or modifications made to trial designs. It remains our intent to seek a development partner to assist in or take full responsibility for funding of RIGScan CR development. In the meantime, until a partner is secured, we are moving forward with our plans to submit a request for a special protocol assessment (SPA) related to RIGS; however, we do not expect to incur any significant additional expenses related to RIGS until a partner is secured.

The commercial manufacturing assessment recently completed by the Battelle Memorial Institute related to CIRA Bio's ACT technology coupled with the clinical strategy recommendations recently made by CIRA Bio's scientific advisors have set the stage for CIRA Bio to embark on capital-raising efforts, which we expect to begin during the third quarter as we look to move the platform forward.

We anticipate generating a net profit from the sale of our gamma detection devices in 2005; however, we expect to show a loss for our blood flow device product line for 2005 due to continued development and increased marketing and administrative support costs that are still required to commercialize the product line. Currently, we expect the loss on blood flow products for 2005 to be less than the loss incurred in 2004. However, this expectation is based to a large degree on our anticipation that we will achieve greater commercial sales of our Quantix/OR product during the remainder of 2005 than in 2004.

Our overall operating results for 2005 will be significantly affected by the amount of development costs associated with the radiopharmaceutical products. If we are unsuccessful in achieving significant commercial sales of the Quantix/OR product in 2005, or if we modify our business plan and decide to carry out RIGS development internally, our estimates and our business plan will likely need to be modified. As a result of our decision to fund Lymphoseek development internally, we do not expect to achieve operating profit during 2005. In addition, our net loss and net loss per share will likely be significantly impacted by the non-cash interest expense we expect to record related to the accounting treatment for the beneficial conversion feature of the convertible

debt and for the warrants issued in connection with the private placement we completed in December 2004. Also, we cannot assure you that our current or potential new products will be successfully commercialized, that we will achieve significant product revenues, or that we will achieve or be able to sustain profitability in the future.

Results of Operations

Revenue for the first six months of 2005 increased \$193,000, or 6%, to \$3.2 million from \$3.0 million for the same period in 2004. Net sales for the first six months of 2005 increased \$593,000, or 23%, to \$3.2 million from \$2.6 million for the same period in 2004. Research and development expenses, as a percentage of net sales, increased to 61% during the first six months of 2005 from 46% during the same period in 2004. Selling, general and administrative expenses, as a percentage of net sales, decreased to 53% during the first six months of 2005 from 65% during the same period in 2004. Due to the ongoing drug and therapeutic development activities of the company, research and development expenses are expected to continue to be higher as a percentage of sales in 2005 than they were in 2004. In addition, marketing and selling expenses, coupled with increased financial compliance, investor relations and professional services costs, are expected to push our overall selling, general and administrative expenses slightly higher in 2005 than 2004 as a percentage of sales.

Three Months Ended June 30, 2005 and 2004

Net Sales and Margins. Net sales, primarily comprised of our gamma detection systems, increased \$353,000, or 26%, to \$1.7 million during the second quarter of 2005 from \$1.3 million during the same period in 2004. Gross margins on net sales remained steady at 62% of net sales for the second quarters of 2005 and 2004. The increase in net sales was the combined result of a modest strengthening in gamma detection device sales prices in the U.S. and Europe partially influenced by the strong Euro exchange rate that continued through mid-year 2005, and increased extended service contract sales activity experienced by our primary gamma detection device marketing partner. Gross margin percentages remained steady but were influenced primarily by the increase in sales prices and unit sales volumes, coupled with increased extended service contract sales which typically generate higher margins than sales of our devices, and offset by slightly increased unit costs to manufacture our neo2000 control unit.

License and Other Revenue. License and other revenue in the second quarter of 2004 included \$200,000 from the pro-rata recognition of license fees related to the distribution agreement with Ethicon Endo-Surgery, Inc. (EES), a Johnson and Johnson company. These license fees were fully amortized into income as of the end of the third quarter of 2004, so there were no such revenues recorded in the second quarter of 2005.

Research and Development Expenses. Research and development expenses increased \$709,000 or 119% to \$1.3 million during the second quarter of 2005 from \$595,000 during the same period in 2004. The increase was primarily due to efforts to move forward with development activities related to our Quantix devices, Lymphoseek, the ACT technology platform of our CIRA Bio subsidiary, and increased headcount in the U.S., offset by decreased expenses related to our gamma detection devices, RIGS development, and declines in Israeli personnel. The second quarter of 2004 included significant development activities related to an updated version of our neo2000 system and product development activities related to the Quantix/OR. Research and development expenses in the second quarter of 2005 included approximately \$84,000 in gamma detection device development costs, \$390,000 in product design activities for the Quantix/OR system and \$829,000 in drug and therapy product development costs. This compares to expenses of \$140,000, \$335,000 and \$120,000 in these relative segment categories during the same period in 2004.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased \$25,000 or 3% to \$828,000 during the second quarter of 2005 from \$853,000 during the same period in 2004. Increases in certain overhead costs such as investor relations and depreciation coupled with increased headcount in the U.S. were offset by decreased marketing expenses.

Other Income (Expenses). Other expenses increased \$251,000 to \$272,000 during the second quarter of 2005 from \$21,000 during the same period in 2004. The primary reason for the increase was an increase of \$290,000 in interest-related expenses on debt financings we entered into during 2004. Of this interest expense, \$168,000 and \$35,000 in the second quarter of 2005 and 2004, respectively, was non-cash in nature related to the amortization of debt issuance costs and discounts resulting from the warrants and beneficial conversion features of the convertible debt. These increases were offset by an increase of \$63,000 in interest income resulting from maintaining a higher balance of cash and investments during the second quarter of 2005 compared to the same period in 2004.

Six Months Ended June 30, 2005 and 2004

Net Sales and Margins. Net sales, primarily of our gamma detection systems, increased \$593,000, or 23%, to \$3.2 million during the first six months of 2005 from \$2.6 million during the same period in 2004. Gross margins on net sales increased to 62% of net sales for the first six months of 2005 compared to 59% of net sales for the same period in 2004. The increase in net sales was the combined result of a modest strengthening in gamma detection device sales prices in the U.S. and Europe partially influenced by the strong Euro exchange rate and increased extended service contract sales activity experienced by our primary gamma detection device marketing partner. Gross margin percentages remained steady but were influenced by the increase in sales prices, coupled with increased extended service contract sales which typically generate higher margins than sales of our devices, and partially offset by slightly increased unit costs to manufacture our neo2000 control unit.

License and Other Revenue. License and other revenue in the first six months of 2004 included \$400,000 from the pro-rata recognition of license fees related to the distribution agreement with EES. These license fees were fully amortized into income as of the end of the third quarter of 2004, so there were no such revenues recorded in the first six months of 2005.

Research and Development Expenses. Research and development expenses increased \$764,000 or 65% to \$1.9 million during the first six months of 2005 from \$1.2 million during the same period in 2004. The increase was primarily due to efforts to move forward with development activities related to Lymphoseek, the

ACT technology platform of our CIRA Bio subsidiary, and increased headcount in the U.S., offset by decreased expenses related to our gamma detection devices, RIGS development, and Quantix. The first six months of 2004 included final development activities related to an updated version of our neo2000 system and product development activities related to the Quantix/OR. Research and development expenses in the first six months of 2005 included approximately \$122,000 in gamma detection device development costs, \$740,000 in product design activities for the Quantix/OR system and \$1.1 million in drug and therapy product development costs. This compares to expenses of \$281,000, \$669,000 and \$228,000 in these relative segment categories during the same period in 2004.

Selling, General and Administrative Expenses. Selling, general and administrative expenses remained steady at \$1.7 million during the first six months of 2005 and 2004. Increases in certain overhead costs such as investor relations, professional services and depreciation coupled with increased headcount in the U.S. were offset by decreased marketing expenses.

Other Income (Expenses). Other expenses increased \$604,000 to \$703,000 during the first six months of 2005 from \$99,000 during the same period in 2004. The primary reason for the increase was an increase of \$546,000 in interest expense on debt financings we entered into during 2004 and 2003. Of this interest expense, \$330,000 and \$97,000 in the first six months of 2005 and 2004, respectively, was non-cash in nature related to the amortization of debt issuance costs and discounts resulting from the warrants and beneficial conversion features of the convertible debt. These increases were offset by an increase of \$104,000 in interest income resulting from maintaining a higher balance of cash and investments during the second quarter of 2005 compared to the same period in 2004. In addition, the first six months of 2005 included a \$142,000 non-cash increase in warrant liability resulting from the accounting treatment for the warrants we issued in connection with the private placement of

convertible debt we completed in December 2004.

Liquidity and Capital Resources

Operating Activities. Cash used in operations increased \$653,000 to \$865,000 used during the first six months of 2005 compared to \$213,000 used during the same period in 2004. Working capital decreased \$1.6 million to \$8.8 million at June 30, 2005 compared to \$10.4 million at December 31, 2004. The current ratio decreased to 8.0:1 at June 30, 2005 from 11.3:1 at December 31, 2004. The decrease in working capital was primarily related to cash used in operations. Cash and investment balances decreased to \$8.8 million at June 30, 2005 from \$9.8 million at December 31, 2004, primarily as a result of cash used to fund operating activities and service our debt during the first six months of 2005.

Accounts receivable decreased to \$371,000 at June 30, 2005 from \$412,000 at December 31, 2004. The decrease was primarily a result of timing of purchases and payments to EES. We expect overall receivable levels will continue to fluctuate during 2005 depending on the timing of purchases and payments by EES as well as the effects of sales of blood flow products.

Inventory levels decreased to \$757,000 at June 30, 2005 compared to \$855,000 at December 31, 2004. We expect inventory levels to increase over the course of 2005 as we prepare to ramp up our blood flow business and reassess our safety stock levels.

Investing Activities. Cash used in investing activities increased to \$4.3 million during the first six months of 2005 from \$55,000 during the same period in 2004. We purchased \$4.7 million and received \$500,000 at maturity of available-for-sale securities during the first six months of 2005. Capital expenditures during the first six months of 2005 were split between purchases of office equipment and production tools and equipment. Capital expenditures in the first six months of 2004 were primarily related to purchases of technology infrastructure. Capital needs for 2005 are still expected to be minor but should increase somewhat over 2004 as we start up blood flow measurement device production at our contract manufacturer.

Financing Activities. Financing activities used \$113,000 in cash in the first six months of 2005 versus \$2.1 million provided during the same period in 2004.

Proceeds from the issuance of common stock were \$58,000 and \$2.3 million during the first six months of 2005 and 2004, respectively. Payments of notes payable were \$155,000 and \$159,000 during the first six months of 2005 and 2004, respectively.

In November 2003, we executed common stock purchase agreements with certain investors for the purchase of 12,173,914 shares of our common stock at a price of \$0.23 per share for net proceeds of \$2.4 million. In addition, we issued the purchasers warrants to purchase 6,086,959 shares of our common stock at an exercise price of \$0.28 per share, expiring in October 2008, and issued the placement agents warrants to purchase 1,354,348 shares of our common stock on similar terms. The per share value of these warrants was \$0.31 on the date of issuance using the Black-Scholes option pricing model with the following assumptions: an average risk-free interest rate of 3.2%, volatility of 151% and no expected dividend rate. During 2004, certain investors and placement agents exercised a total of 3,230,066 warrants related to this placement resulting in the issuance of 3,197,854 shares of our common stock and we realized net proceeds of \$871,398. During the first six months of 2005, certain investors and placement agents exercised a total of 206,865 warrants and we realized proceeds of \$57,922.

In December 2004, we completed a private placement of Convertible Promissory Notes in an aggregate principal amount of \$8.1 million with Biomedical Value Fund, L.P., Biomedical Offshore Value Fund, Ltd. and David C. Bupp (our President and CEO). Biomedical Value Fund, L.P. and Biomedical Offshore Value Fund, Ltd. are funds managed by Great Point Partners, LLC. The notes bear interest at 8% per annum and are freely convertible into shares of our common stock at a price of \$0.40 per share. Neoprobe may force conversion of the notes prior to their stated maturity under certain circumstances. The conversion price represents the ten-day volume weighted average trading price of our common stock

through December 10, 2004. As part of this transaction, we issued the investors 10,125,000 Series T warrants to purchase our common stock at an exercise price of \$0.46, expiring in December 2009. The fair value of the warrants issued to the investors was \$1,315,000 on the date of issuance and was determined by a third-party valuation firm using the Black-Scholes option pricing model with the following assumptions: an average risk-free interest rate of 3.4%, volatility of 50% and no expected dividend rate. In connection with this financing, we also issued 1,600,000 Series U warrants to purchase our common stock to the placement agents, containing substantially identical terms to the warrants issued to the investors. The fair value of the warrants issued to the placement agents was \$208,014 using the Black-Scholes option pricing model with the same assumptions used to determine the fair value of the warrants issued to the investors. The value of the beneficial conversion feature of the notes was estimated at \$1,315,000 based on the effective conversion price at the date of issuance.

Our future liquidity and capital requirements will depend on a number of factors, including our ability to raise additional capital in a timely manner through additional investment, expanded market acceptance of our current products, our ability to complete the commercialization of new products, our ability to monetize our investment in non-core technologies, our ability to obtain milestone or development funds from potential development and distribution partners, regulatory actions by FDA and other international regulatory bodies, and intellectual property protection. We believe we now have adequate capital to assure that we can properly support our current business goals and objectives for 2005 and into 2006. Our near-term priorities to commence multi-center trials for our Lymphoseek product, support the launch of the reengineered version of the Quantix/OR products, identify a development and commercialization partner for our RIGS technology, complete a technology assessment of our ACT technology and continue to innovate our gamma detection product line. We cannot assure you that we will be able to achieve significant product revenues from our current or potential new products. We also cannot assure you that we will achieve profitability again.

Recent Accounting Developments

In November 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4. This statement amends the guidance in ARB No. 43 Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB No. 43, Chapter 4,

previously stated that ". . . under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal to require treatment as a current period charge...." This statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of this statement will be effective for inventory costs during fiscal years beginning after June 15, 2005. Neoprobe does not believe that the adoption of this statement will have a material impact on our consolidated financial condition or results of operations.

In December 2004, the FASB issued SFAS No. 123R (revised 2004), Share-Based Payment, which is a revision of SFAS No. 123, Accounting for Stock-Based Compensation (SFAS No. 123R). SFAS No. 123R supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends SFAS No. 95, Statement of Cash Flows. Generally, the approach in SFAS No. 123R is similar to the approach described in SFAS No. 123. However, SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. SFAS No. 123R provides for a prospective application. Under this method, we will begin recognizing compensation expense for equity-based compensation for all new or modified grants after the date of adoption. In addition, we will recognize the unvested portion of the grant date fair value of awards issued prior to adoption based on the fair values previously calculated for disclosure purposes. We expect to adopt SFAS No. 123R on January 1, 2006.

As permitted by SFAS No. 123, Neoprobe currently accounts for share-based payments to employees using APB Opinion No. 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of SFAS No. 123R's fair value method will have a significant impact on our result of operations, although it will have no impact on our overall cash position. The impact of adoption of SFAS No. 123R cannot be predicted at this time because it will depend on levels of share-based payments granted in the future and the assumptions for the variables which impact the computation. However, had we adopted SFAS No. 123R in prior periods, the impact of that standard would have approximated the impact of SFAS No. 123 as described in the disclosure of pro forma net loss and loss per share in Note 2 to our consolidated financial statements. SFAS No. 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets--An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions (SFAS No. 153). SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, Accounting for Nonmonetary Transactions, and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for fiscal periods beginning after June 15, 2005 and is required to be adopted by Neoprobe beginning January 1, 2006. Neoprobe is currently evaluating the effect that the adoption of SFAS No. 153 will have on its consolidated results of operations and financial condition but does not expect it to have a material impact.

Critical Accounting Policies

The following accounting policies are considered by us to be critical to our results of operations and financial condition.

Revenue Recognition Related to Net Sales. We currently generate revenue primarily from sales of our gamma detection products; however, sales of blood flow products constituted approximately 5% of total revenues for the first six months of 2005 and are expected to increase in the future. We generally recognize sales revenue related to sales of our products when the products are shipped and the earnings process has been completed. Our customers have no right to return products purchased in the ordinary course of business. However, in cases where product is shipped but the earnings process is not yet completed,

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revenue is deferred until it has been determined that the earnings process has been completed. The prices we charge our primary gamma detection device customer, EES, related to sales of products are subject to retroactive annual adjustment based on a fixed percentage of the actual sales prices achieved by EES on sales to end customers made during each fiscal year. To the extent that we can reasonably estimate the end-customer prices received by EES, we record sales to EES based upon these estimates. If we are unable to reasonably estimate end customer sales prices related to certain products sold to EES, we record revenue related to these product sales at the minimum (i.e., floor) price provided for under our distribution agreement with EES.

We also generate revenue from the service and repair of out-of-warranty products. Fees charged for service and repair on products not covered by an extended service agreement are recognized upon completion of the service process when the serviced or repaired product has been returned to the customer. Fees charged for service or repair of products covered by an extended warranty agreement are deferred and recognized as revenue ratably over the life of the extended service agreement.

Use of Estimates. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We base these estimates and assumptions upon

historical experience and existing, known circumstances. Actual results could differ from those estimates. Specifically, management may make significant estimates in the following areas:

- o Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts receivable to cover estimated losses resulting from the inability of our customers to make required payments. We determine the adequacy of this allowance by regularly reviewing our accounts receivable aging and evaluating individual customer receivables, considering customers' credit and financial condition, payment history and relevant economic conditions. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances for doubtful accounts may be required.
- o Inventory Valuation. We value our inventory at the lower of cost (first-in, first-out method) or market. Our valuation reflects our estimates of excess, slow moving and obsolete inventory as well as inventory with a carrying value in excess of its net realizable value. Write-offs are recorded when product is removed from saleable inventory. We review inventory on hand at least quarterly and record provisions for excess and obsolete inventory based on several factors, including current assessment of future product demand, anticipated release of new products into the market, historical experience and product expiration. Our industry is characterized by rapid product development and frequent new product introductions. Uncertain timing of product approvals, variability in product launch strategies, product recalls and variation in product utilization all impact the estimates related to excess and obsolete inventory.
- o Impairment or Disposal of Long-Lived Assets. We account for long-lived assets in accordance with the provisions of SFAS No. 144. This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of June 30, 2005, the most significant long-lived assets on our balance sheet relate to assets recorded in connection with the acquisition of Cardiosonix and gamma detection device patents related to intraoperative lymphatic mapping. The recoverability of these assets is based on the financial projections and models related to the future sales success of Cardiosonix' products and the continuing success of our gamma detection product line. As such, these assets could be subject to significant adjustment should the Cardiosonix technology not be successfully commercialized or the sales amounts in our current projections not be realized.

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- o Product Warranty. We warrant our products against defects in design, materials, and workmanship generally for a period of one year from the date of sale to the end customer. Our accrual for warranty expenses is adjusted periodically to reflect actual experience. EES also reimburses us for a portion of warranty expense incurred based on end customer sales they make during a given fiscal year.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the Act) provides a safe harbor for forward-looking statements made by or on behalf of our company. From time to time, our representatives and we may make written or verbal forward-looking statements, including statements contained in this report and other company filings with the SEC and in our reports to stockholders. Statements that relate to other than strictly historical facts, such as statements about our plans and strategies, expectations for future financial performance, new and existing products and technologies, anticipated clinical and regulatory pathways, and markets for our products are forward-looking

statements within the meaning of the Act. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "will" and other similar expressions identify forward-looking statements. The forward-looking statements are and will be based on our then-current views and assumptions regarding future events and operating performance, and speak only as of their dates. Investors are cautioned that such statements involve risks and uncertainties that could cause actual results to differ materially from historical or anticipated results due to many factors including, but not limited to, our continuing operating losses, uncertainty of market acceptance of our products, reliance on third party manufacturers, accumulated deficit, future capital needs, uncertainty of capital funding, dependence on limited product line and distribution channels, competition, limited marketing and manufacturing experience, risks of development of new products, regulatory risks, and other risks detailed in our most recent Annual Report on Form 10-KSB and other SEC filings. We undertake no obligation to publicly update or revise any forward-looking statements.

Item 3. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer, along with the Chief Financial Officer, concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to our company (including our consolidated subsidiaries) required to be included in our periodic SEC filings. There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

- (a) Neoprobe Corporation held its Annual Meeting of Stockholders on June 13, 2005, for the purpose of electing two directors, increasing the authorized number of shares of the company's stock, and amending the company's 2002 Stock Incentive Plan.
- (b) At the Annual Meeting of Stockholders, the directors nominated were elected.
- (c) The following table shows the voting tabulation for each matter voted upon at the Annual Meeting of Stockholders.

ACTION	FOR	WITHHELD
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Election of Directors		
Carl J. Aschinger, Jr.	45,741,306	1,838,234
Fred B. Miller	45,754,361	1,825,179

<TABLE>
<CAPTION>

ACTION	FOR	AGAINST	ABSTAIN
<C>	<C>	<C>	<C>
Increase the authorized number of shares of the company from 105,000,000 to 155,000,000, consisting of 150,000,000 shares of common stock, \$.001 par and 5,000,000 shares of preferred stock, \$.001 par value	42,671,721	4,704,066	203,753

<CAPTION>

ACTION	FOR	AGAINST	ABSTAIN
<S>	<C>	<C>	<C>
Amend the 2002 Stock Incentive Plan to increase			

the number of shares of common stock issuable under the plan from 3,000,000 to 5,000,000 shares	9,618,474	5,053,544	133,291
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Item 6. Exhibits

- 3.1 Restated Certificate of Incorporation of Neoprobe Corporation as corrected February 18, 1994 and amended June 27, 1994, June 3, 1996, March 17, 1999, May 9, 2000, June 13, 2003, July 27, 2004 and June 22, 2005.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer of Periodic Financial Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
- 32.2 Certification of Chief Financial Officer of Periodic Financial Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

Items 1, 2, 3, and 5 are not applicable and have been omitted.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEOPROBE CORPORATION
(the Company)
Dated: August 15, 2005

By: /s/ DAVID C. BUPP

David C. Bupp
President and Chief Executive Officer
(duly authorized officer; principal executive officer)

By: /s/ BRENT L. LARSON

Brent L. Larson
Vice President, Finance and Chief Financial Officer
(principal financial and accounting officer)

Exhibit 3.1

RESTATED CERTIFICATE OF INCORPORATION
OF
NEOPROBE CORPORATION

(as corrected February 18, 1994 and as amended June 27, 1994, July 25, 1995, June 3, 1996, March 17, 1999, May 9, 2000, June 13, 2003, July 27, 2004, and June 22, 2005)

ARTICLE ONE

The name of the corporation is Neoprobe Corporation.

ARTICLE TWO

The address of the corporation's registered office in the State of Delaware is the Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is the Corporation Trust Company.

ARTICLE THREE

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

(Article Four was amended to increase the total number of authorized shares from 22,000,000 to 55,000,000, the total number of shares of Common Stock from 20,000,000 to 50,000,000 and the total number of shares of Preferred Stock from 2,000,000 to 5,000,000 by a resolution duly adopted by the Board of Directors on March 3, 1994 and duly adopted by the stockholders on May 26, 1994. It was again amended to increase the number of authorized shares to 80,000,000, consisting of 75,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock, by resolution duly adopted by the Board of Directors on April 15, 2003, and duly adopted by the stockholders on June 12, 2003. It was further amended to increase the number of authorized shares to 105,000,000, consisting of 100,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock, by resolution duly adopted by the Board of Directors on April 16, 2004, and duly adopted by the stockholders on July 27, 2004. Article Four was again amended to increase the number of authorized shares to 155,000,000, consisting of 150,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock, by resolution duly adopted by the Board of Directors on March 15, 2005, and duly adopted by the Stockholders on June 13, 2005).

ARTICLE FOUR

4.1 Authorized Shares. The total number of shares of capital stock which the Corporation has authority to issue is 155,000,000 shares, consisting of:

(a) 150,000,000 shares of Common Stock, par value \$.001 per share (the "Common Stock");

(b) 5,000,000 shares of Preferred Stock, par value \$.001 per share (the "Preferred Stock").

4.2 Common Stock.

(a) Subject to such voting rights of any other class or series of

securities as may be granted from time to time pursuant to this certificate of incorporation, any amendment thereto, or the provisions of the laws of the State of Delaware governing corporations, voting rights shall be vested exclusively in the holders of Common Stock. Each holder of Common Stock shall have one vote in respect of each share of such stock held.

(b) Subject to the rights of any other class or series of stock, the holders of shares of Common Stock shall be entitled to receive, when and as declared by the board of directors, out of the assets of the Corporation legally available therefor, such dividends as may be declared from time to time by the board of directors.

(c) Subject to such rights of any other class or series of securities as may be granted from time to time, the holders of shares of Common Stock shall be entitled to receive all the assets of the Corporation available for distribution to shareholders in the event of the voluntary or involuntary liquidation, dissolution, or winding up of the Corporation, ratably, in proportion to the number of shares of Common Stock held by them. Neither the merger or consolidation of the Corporation into or with any other corporation, nor the merger or consolidation of any other corporation into or with the Corporation, nor the sale, lease, exchange or other disposition (for cash, shares of stock, securities, or other consideration) of all or substantially all the assets of the Corporation, shall be deemed to be a dissolution, liquidation, or winding up, voluntary or involuntary, of the Corporation.

4.3 Preferred Stock. Shares of Preferred Stock may be issued from time to time in one or more series. The board of directors of the Corporation is hereby authorized to determine and alter all rights, preferences, and privileges and qualifications, limitations, and restrictions thereof (including, without limitation, voting rights and the limitation and exclusion thereof) granted to or imposed upon any wholly unissued series of Preferred Stock and the number of shares constituting any such series and the designation thereof, and to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series subsequent to the issue of shares of that series then outstanding. In case the number of shares of any series is so decreased, the shares constituting such reduction shall resume the status which such shares had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE FIVE

The business and affairs of the Corporation shall be managed by or under the direction of the board of directors, and the directors need not be elected by ballot unless required by the by-laws of the Corporation. In furtherance and not in limitation of the powers conferred by statute, the board of directors of the Corporation is expressly authorized to adopt, amend, or repeal the by-laws of the Corporation.

ARTICLE SIX

Action shall be taken by the stockholders of the Corporation only at annual or special meetings of stockholders, and stockholders may not act by written consent. Special meetings of the Corporation may be called only as provided in the by-laws.

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ARTICLE SEVEN

Meetings of the stockholders may be held within or without the State of Delaware, as the by-laws of the Corporation may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the by-laws of the Corporation. The board of directors shall from time to time decide whether and to what extent and at what times and under what conditions and requirements the accounts and books of the Corporation, or any of them, except

the stock book, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any books or documents of the Corporation except as conferred by the laws of the State of Delaware or as authorized by the board of directors.

(Article Eight was amended in its entirety by a resolution duly adopted by the Board of Directors on January 18, 1996 and duly adopted by the stockholders at the Annual Meeting of Stockholders held on May 30, 1996).

ARTICLE EIGHT

Notwithstanding any other provision set forth in the Certificate of Incorporation of the Corporation or its By-laws, the board of directors shall be divided into three classes; the term of office of those of the first class to expire at the annual meeting next ensuing; of the second class one year thereafter; of the third class two years thereafter; and at each annual election held after the initial classification of the board of directors and election of directors to such classes, directors shall be chosen for a full term of three years, as the case may be, to succeed those whose terms expire. The total number of directors constituting the full board of directors and the number of directors in each class shall be fixed by, or in the manner provided in the by-laws, but the total number of directors shall not exceed seventeen (17) nor shall the number of directors in any class exceed six (6). Subject to the foregoing, the classes of directors need not have the same number of members. No reduction in the total number of directors or in the number of directors in any class shall be effective to remove any director or to reduce the term of any director. If the board of directors increases the number of directors in a class, it may fill the vacancy created thereby for the full remaining term of a director in that class even though such term may extend beyond the next annual election. The board of directors may fill any vacancy occurring for any other reason for the full remaining term of the director whose death, resignation or removal caused the vacancy, even though such term may extend beyond the next annual election.

ARTICLE NINE

(a) The Corporation shall, to the fullest extent permitted by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended, indemnify all persons whom it may indemnify pursuant hereto.

(b) To the fullest extent permitted by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended, a director of this Corporation shall not be personally liable for the Corporation or its Stockholders for monetary damages for breach of fiduciary duty as a director. The modification or repeal of this Article Nine shall not affect the restriction hereunder of a director's personal liability for any breach, act, or omission occurring prior to such modification or repeal.

ARTICLE TEN

The Corporation is to have perpetual existence.

* * *

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(A Certificate of Correction was filed to correct a failure to set forth in the Restated Certificate of Incorporation filed with the Secretary of State of Delaware on November 9, 1992, the following resolutions duly adopted by the Board and duly approved by the stockholders):

WHEREAS, the Board of Directors of the Corporation deems it to be advisable and in the best interests of the Corporation that the Corporation effectuates a reverse split of its common stock, par value \$0.001 per share (the "Common Stock"), to cause the total number of issued and outstanding shares of

Common Stock to be 5,162,762 prior to a contemplated public offering of the securities of the Corporation; it is therefore:

RESOLVED, that, subject to approval by the Corporation's stockholders, there is hereby declared a one-for-two reverse split of the issued and outstanding shares of Common Stock, effective immediately prior to the effective time of the contemplated public offering (the "Conversion Time"), pursuant to which each issued and outstanding share of Common Stock shall automatically be converted into one-half of the one share of Common Stock, and each stockholder of record at the Conversion Time shall receive one or more certificates representing the number of fully-paid and nonassessable shares of Common Stock equal to the number of shares held after the Conversion Time as a result of the foregoing reverse split;

RESOLVED, FURTHER, that the shares of Common Stock that cease to be outstanding as a result of the reverse stock split shall be authorized but unissued shares;

RESOLVED, FURTHER, that fractions of a share existing after the reverse stock split shall not be issued to the stockholders, and that such fractions shall be paid in cash at their pro rata fair value, which the Board of Directors hereby determines, after due consideration, to be \$6.00 per share as of the Conversion Time;

RESOLVED, FURTHER, that appropriate adjustment shall be made to the applicable conversion or other ratios of the Corporation's outstanding warrants, options or other convertible securities to take account of the change in the outstanding Common Stock resulting from the reverse stock split; and

RESOLVED, FURTHER, that the Conversion Time for the one-for-two reverse split of the issued and outstanding shares of Common Stock as authorized on July 22, 1992, and approved by the Corporation's stockholders, shall be at the close of business on Monday, November 9, 1992.

* * *

(The Board of Directors provided for a series of Preferred Stock on July 18, 1995 by the addition to the Certificate of Incorporation of the following paragraphs which were incorporated in a Certificate of Designations, Preferences and Rights of Series A Junior Participating Preferred Stock filed on July 25, 1995):

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of its Restated Certificate of Incorporation, a series of Preferred Stock of the Corporation be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" and the number of shares constituting such series shall be 500,000.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of

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Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A Junior Participating Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$.05 or (b) subject to the provision for adjustment hereinafter set

forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value \$.001 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. In the event the Corporation shall at any time after August 28, 1995 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$.05 per share on the Series A Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

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Section 3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes to which holders of Class A Junior Participating Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares

of Series A Junior Participating Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock (including holders of the Series A Junior Participating Preferred Stock) with dividends in arrears in an amount equal to six (6) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) Directors.

(ii) During any default period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of ten percent (10%) in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) Directors or, if such right is exercised at an annual meeting, to elect two (2) Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series A Junior Participating Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the Chairman of the Board, President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting

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at which holders of Preferred Stock are entitled to vote pursuant to this paragraph (C)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Preferred Stock shall have exercised their right to elect two (2) Directors voting as a class,

after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (C)(ii) of this Section 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the certificate of incorporation or by-laws irrespective of any increase made pursuant to the provisions of paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the certificate of incorporation or by-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Stock;

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(iv) purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received [\$.10] per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 100 (as appropriately adjusted as set forth in subparagraph C below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect to all outstanding shares of Series A Junior Participating Preferred Stock and Common Stock, respectively, holders of Series A Junior Participating Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case

may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Optional Redemption.

(A) The Corporation shall have the option to redeem the whole or any part of the Series A Junior Participating Preferred Stock at any time at a redemption price equal to, subject to the provisions for adjustment hereinafter set forth, 100 times the "current per share market price" of the Common Stock on the date of the mailing of the notice of redemption, together with unpaid accumulated dividends to the date of such redemption. In the event the Corporation shall at any time after the Rights Declaration Date, (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were otherwise entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. The "current per share market price" on any date shall be deemed to be the average of the closing price per share of such Common Stock for the 10 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if the Common Stock is not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or such other system then in use or, if on any such date the Common Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board of Directors of the Corporation. If on such date no such market maker is making a market in the Common Stock, the fair value of the Common Stock on such date as determined in good faith by the Board of Directors of the Corporation shall be used. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Common Stock is listed or admitted to trading is open for the transaction of business or, if the Common Stock is not listed or admitted to trading on any national securities exchange, a Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in the State of New York are not authorized or obligated by law or executive order to close.

(B) Notice of any such redemption shall be given by mailing to the holders of the Series A Junior Participating Preferred Stock a notice of such redemption, first class postage prepaid, not later than the thirtieth day and not earlier than the sixtieth day before the date fixed for redemption, at their last address as the same shall appear upon the books of the Corporation. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the stockholder received such notice, and failure duly to give such notice by mail, or any defect in such notice, to any holder of Series A Junior Participating Preferred Stock shall not affect the validity of the proceedings for the redemption of such Series A Junior Participating Preferred Stock are to be redeemed, the redemption shall be made by lot as determined by the Board of Directors.

(C) If any such notice of redemption shall have been duly given or if the Corporation shall have given to the bank or trust company hereinafter referred to irrevocable written authorization promptly to give or complete such notice, and if on or before the redemption date specified therein the funds necessary for such redemption shall have been deposited by the Corporation with the bank or trust company designated in such notice, doing business in the United States of America and having a capital, surplus and undivided profits aggregating at least \$25,000,000 according to its last published statement of condition, in trust for the benefit of the holders of Series A Junior Participating Preferred Stock called for redemption, then, notwithstanding that any certificate for such shares so called for redemption shall not have been surrendered for cancellation, from and after the time of such deposit all such shares called for redemption shall no longer be deemed outstanding and all rights with respect to such shares shall no longer be deemed outstanding and all rights with respect to such shares shall forthwith cease and terminate, except the right of the holders thereof to receive from such bank or trust company at any time after the time of such deposit the funds so deposited, without interest, and the right to exercise, up to the close of business on the fifth day before the date fixed for redemption, all privileges of conversion or exchange if any. In case less than all the shares represented by any surrendered certificate are redeemed, a new certificate shall be issued representing the unredeemed shares. Any interest accrued on such funds shall be paid to the Corporation from time to time. Any funds so deposited and unclaimed at the end of six years from such redemption date shall be repaid to the Corporation, after which the holders of shares of Series A Junior Participating Preferred Stock called for redemption shall look only to the Corporation for payment thereof; provided that any funds so deposited which shall not be required for redemption because of the exercise of any privilege of conversion or exchange subsequent to the date of deposit shall be repaid to the Corporation forthwith.

Section 9. Ranking. The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. So long as any shares of Series A Junior Participating Preferred Stock are outstanding, the Restated Certificate of Incorporation of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

Section 11. Fractional Shares. Series A Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holders fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David C. Bupp, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Neoprobe Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

August 15, 2005

/s/ David C. Bupp

David C. Bupp
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brent L. Larson, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Neoprobe Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

August 15, 2005

/s/ Brent L. Larson

Brent L. Larson
Vice President, Finance and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF PERIODIC FINANCIAL REPORT PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

The undersigned hereby certifies that he is the duly appointed and acting Chief Executive Officer of Neoprobe Corporation (the "Company") and hereby further certifies as follows:

(1) The periodic report containing financial statements to which this certificate is an exhibit fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the periodic report to which this certificate is an exhibit fairly presents, in all material respects, the financial condition and results of operations of the Company.

In witness whereof, the undersigned has executed and delivered this certificate as of the date set forth opposite his signature below.

August 15, 2005

/s/ David C. Bupp

David C. Bupp
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF PERIODIC FINANCIAL REPORT PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

The undersigned hereby certifies that he is the duly appointed and acting Chief Financial Officer of Neoprobe Corporation (the "Company") and hereby further certifies as follows:

(1) The periodic report containing financial statements to which this certificate is an exhibit fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the periodic report to which this certificate is an exhibit fairly presents, in all material respects, the financial condition and results of operations of the Company.

In witness whereof, the undersigned has executed and delivered this certificate as of the date set forth opposite his signature below.

August 15, 2005 /s/ Brent L. Larson

Brent L. Larson
Vice President, Finance and Chief Financial Officer