

	----- <C>	----- <C>
<S>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,921,025	\$ 4,422,252
Available-for-sale securities	14,672,496	1,674,893
Accounts receivable, net	793,376	1,323,637
Inventory	413,024	775,961
Note receivable	1,500,000	0
Prepaid expenses and other current assets	2,001,378	1,259,528
	-----	-----
Total current assets	29,301,299	9,456,271
	-----	-----
Property and equipment at cost:		
Equipment, net of accumulated depreciation	6,667,763	6,054,992
Construction in progress	3,757,133	4,306,195
	-----	-----
	10,424,896	10,361,187
	-----	-----
Intangible assets, net of accumulated amortization	1,715,834	2,131,704
Other assets	131,375	1,615,988
	-----	-----
Total assets	\$41,573,404	\$23,565,150
	=====	=====

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

NEOPROBE CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	DECEMBER 31, 1997	SEPTEMBER 30, 1998
	----- <C>	----- <C>
<S>		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,848,172	\$ 1,316,897
Accrued expenses	2,743,293	2,201,722
Notes payable to finance company	202,615	424,250
Capital lease obligation, current	156,140	112,274
	-----	-----
Total current liabilities	6,950,220	4,055,143
	-----	-----
Long term debt	1,813,437	4,479,555
Capital lease obligation	255,355	180,977
	-----	-----
Total liabilities	9,019,012	8,715,675

Commitments and contingencies (Note 7)

Stockholders' equity:

Preferred Stock; \$.001 par value; 5,000,000 shares authorized at December 31, 1997 and September 30, 1998; none outstanding (500,000 shares designated as Series A, \$.001 par value, at September 30, 1998; none outstanding)	0	0
Common stock; \$.001 par value; 50,000,000 shares authorized; 22,673,430 shares issued and outstanding at December 31, 1997; 22,885,017 shares issued and outstanding at September 30, 1998	22,763	22,885
Additional paid in capital	120,034,876	120,231,097
Deficit accumulated during development stage	(87,362,531)	(105,292,162)
Unrealized loss on available-for-sale securities	(9,290)	13,879
Cumulative foreign currency translation adjustment	(131,426)	(126,224)
Total stockholders' equity	32,554,392	14,849,475
Total liabilities and stockholders' equity	\$ 41,573,404	\$ 23,565,150

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

NEOPROBE CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>

<CAPTION>

	THREE MONTHS ENDED		NOVEMBER 16, 1983		
	SEPTEMBER 30,	SEPTEMBER 30,	SEPTEMBER 30,	TO SEPTEMBER 30,	(INCEPTION)
	1997	1998	1997	1998	1998
Net sales	\$ 1,274,786	\$ 1,702,338	\$ 3,451,631	\$ 3,821,262	\$ 13,008,176
Cost of goods sold	295,514	454,024	988,423	1,019,081	4,723,077
Gross profit	979,272	1,248,314	2,463,208	2,802,181	8,285,099
Operating expenses:					
Research and development	4,149,621	2,232,530	13,334,609	11,074,695	75,630,833
Marketing and selling	977,961	1,561,904	2,790,308	3,780,418	9,618,724
General and administrative	1,543,060	1,236,696	5,170,029	4,403,232	35,482,847
Facility closure costs	0	1,961,804	0	1,961,804	1,961,804
Total operating expenses	6,670,642	6,992,934	21,294,946	21,220,149	122,694,208
Loss from operations	(5,691,370)	(5,744,620)	(18,831,738)	(18,417,968)	(114,409,109)
Other income (expense):					
Interest income	338,072	105,861	1,545,737	555,317	6,477,497
Interest expense	(4,959)	(100,886)	(14,807)	(152,982)	(720,467)

Other	(54,519)	134,682	(73,101)	86,002	3,359,917
Total other income	278,594	139,657	1,457,829	488,337	9,116,947
Net loss	\$ (5,412,776)	\$ (5,604,963)	\$ (17,373,909)	\$ (17,929,631)	\$(105,292,162)
Net loss per common share (basic and diluted)	\$ (0.24)	\$ (0.24)	\$ (0.76)	\$ (0.79)	
Weighted average shares outstanding during the period	22,766,834	22,884,528	22,723,007	22,823,382	

</TABLE>

NEOPROBE CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,		NOVEMBER 16, 1983 NINE MONTHS ENDED SEPTEMBER 30,		(INCEPTION) TO SEPTEMBER 30,
	1997	1998	1997	1998	1998
Net loss	\$ (5,412,776)	\$ (5,604,963)	\$ (17,373,909)	\$ (17,929,631)	\$(105,292,162)
Other comprehensive (losses) gains	70,074	26,959	(146,724)	28,369	(112,347)
Comprehensive loss	\$ (5,342,702)	\$ (5,578,004)	\$ (17,520,633)	\$ (17,901,262)	\$(105,404,509)

</TABLE>

The accompanying notes are an integral part of
the consolidated financial statements.

4

NEOPROBE CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	NOVEMBER 16, 1983 NINE MONTHS ENDED SEPTEMBER 30,		(INCEPTION) TO SEPTEMBER 30,
	1997	1998	1998
Net cash used in operating activities	\$ (16,496,677)	\$ (18,674,539)	\$ (95,038,133)
Cash flows from investing activities:			

Purchases of available-for-sale securities	(9,915,474)	(1,738,512)	(109,901,702)
Proceeds from sales of available-for-sale securities	1,828,927	3,741,357	51,615,619
Maturities of available-for-sale securities	15,739,201	11,050,000	56,753,943
Purchase of property and equipment	(4,090,456)	(2,405,865)	(13,614,463)
Other	(127,815)	(430,870)	(1,467,902)
	-----	-----	-----
Net cash provided by (used in) investing activities	3,434,383	10,216,110	(16,614,505)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of common stock, net	750,381	196,343	102,732,033
Proceeds from bank loan credit	708,835	2,666,118	4,479,555
Proceeds from line of credit	0	700,000	700,000
Repayment of line of credit	0	(275,750)	(275,750)
Other	(250,797)	(320,886)	8,475,839
	-----	-----	-----
Net cash provided by financing activities	1,208,419	2,965,825	116,111,677
	-----	-----	-----
Effect of exchange rate changes on cash	(11,159)	(6,169)	(36,787)
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents	(11,865,034)	(5,498,773)	4,422,252
Cash and cash equivalents at beginning of period	30,168,412	9,921,025	0
	-----	-----	-----
Cash and cash equivalents at end of period	\$ 18,303,378	\$ 4,422,252	\$ 4,422,252
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

NEOPROBE CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The information presented for September 30, 1997 and 1998, and for the periods then ended is unaudited, but includes all adjustments (which consist only of normal recurring adjustments) which the management of Neoprobe Corporation (the "Company") 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 generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. The results for the interim period are not necessarily indicative of results to be expected for the year. The financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 1997, which were included as part of the Company's Annual Report on Form 10-K. Certain 1997 amounts have been reclassified to conform with the 1998 presentation.

Included in other assets at September 30, 1998 is an investment in XTL Biopharmaceuticals Ltd. ("XTL"). The investment resulted from the conversion of a note receivable from XTL, which was held by the Company related to an Investment Research and Development Agreement. The debenture was due on February 13, 1998 and bore interest at 5% payable annually. On January 30, 1998, the Company exercised its option to convert the debentures into 443,690 shares of Class A Common stock of

XTL. Since the date of conversion, the Company has accounted for its approximate 15% investment in XTL on the cost method. There is currently no publicly quoted market value for shares of XTL; however, management believes, based on a recently completed private security transaction, that the market value of its investment in XTL approximates book value.

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No.130 ("SFAS 130") "Reporting Comprehensive Income." This Statement establishes standards for reporting and display of comprehensive income in a full set of general purpose financial statements. The Company adopted SFAS 130 as of January 1, 1998. Other comprehensive losses of the Company include the effects of translation gain or loss related to the Company's foreign operations and unrealized gains and losses on available-for-sale securities.

In June 1997, the FASB issued SFAS No.131 "Disclosures about Segments of an Enterprise and Related Information." This Statement establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. This Statement is effective for financial statements for periods beginning after December 15, 1997. In the initial year of application, comparative information for earlier years is to be restated. This Statement need not be applied to interim financial statements in the initial year of its application. The Company intends to adopt SFAS No.131 effective December 31, 1998. Management does not believe adoption of this Statement will have a significant effect on the financial disclosures of the Company.

The Company is a development stage enterprise engaged in the development and commercialization of technologies for the diagnosis and treatment of cancers. There can be no assurance that the Company will be able to commercialize its proposed products. There can also be no assurance that adequate financing will be available when needed or on terms attractive to the Company.

2. INVENTORY

The components of inventory are as follows:

<TABLE>
<CAPTION>

	DECEMBER 31, 1997	SEPTEMBER 30, 1998
	-----	-----
	<C>	<C>
Materials and component parts	\$ 36,890	\$ 0
Work-in-process	145,234	393,860
Finished goods	230,900	382,101
	=====	=====
	\$ 413,024	\$775,961
	=====	=====

</TABLE>

3. LONG-TERM DEBT

Neoprobe (Israel) Ltd. ("Neoprobe (Israel)"), a 95%-owned subsidiary of the Company, is completing construction of a radiolabeling facility near Dimona, Israel, for use in future operations of the Company. Construction of the facility is being partially financed under a \$9.9 million investment program approved by the state of Israel's Finance Committee (the "Committee"). Under the approved program, Neoprobe

(Israel) is entitled to government grants and government loan guarantees equal to a percentage of the total loan taken for the construction and operation of the facility. Amounts received under the agreement are collateralized by certain property obtained through the use of proceeds received. The loan portion of the investment program has expired but will cover capital costs incurred through September 12, 1998; however, the Company successfully negotiated an extension of the grant portion of the program for an additional year. As of September 30, 1998, Neoprobe (Israel) has received \$4.5 million and \$1.3 million in the form of loans and grants, respectively.

In September 1998, the Company renegotiated the terms of its \$3 million revolving line of credit arrangement with a bank. The maximum eligible borrowing limit was decreased to \$1 million and is secured by cash and investments of the Company. Interest on the line of credit is based on the prime rate or LIBOR, as elected by the Company. As of September 30, 1998, \$424,000 was outstanding and \$576,000 was available under the line of credit.

4. EQUITY

During the first nine months of 1998, the Board granted options to employees and certain directors of the Company under the 1996 Stock Incentive Plan (the "Plan") for 608,000 shares of common stock, exercisable at an average exercise price of \$5.42 per share, vesting over two to four years. As of September 30, 1998, the Company has 1.9 million options outstanding under two stock option plans. On September 28, 1998, the Company repriced 367,000 outstanding options with exercise prices of \$5.06 to \$17.75 held by non-officer employees of the Company. In exchange for surrendering the outstanding options, these employees were granted 183,440 options with an exercise price of \$1.50 per share, and the average vesting term of the options was extended by one year from their original term. Of the outstanding options, 1.1 million options have vested as of September 30, 1998, at an average exercise price of \$6.09 per share.

During the third quarter, the Company issued 45,000 shares of restricted stock to its President and CEO. This stock vests and becomes transferable only on a change in control of the Company.

5. AGREEMENTS

In April 1998, the Company executed an agreement with Ethicon Endo-Surgery, Inc. ("EES"), a Johnson & Johnson company, to market and promote the Neoprobe(R) 1500 Portable Radioisotope Detector and its 14mm and 19mm reusable probes for gamma guided lymphatic mapping and minimally invasive surgery in the United States. During October 1998, the agreement with EES was amended to cover marketing and promotion of the aforementioned products in Europe. During the initial one-year term of the agreement, EES will promote and sell the aforementioned products and train physicians in the use of Neoprobe's devices. In exchange for promoting and selling the device products, EES will receive sales commissions based on qualifying net sales of the aforementioned products.

The Company and Cira Technologies, Inc. ("Cira") entered into a License and Option Agreement (the "Agreement") dated April 1, 1998 which replaced the Technology Option Agreement between the Company and Cira dated March 1996. The Company's chairman is a director and shareholder of Cira. Under the terms of the Agreement, Cira granted the Company an exclusive, royalty bearing license to make, have made, use and sell products ("Licensed Products") containing activated lymph node derived cells for the treatment of human immunodeficiency virus ("HIV") infected human patients including HIV-infected human patients co-infected with other viruses. In exchange for the license, the Company agreed to continue funding of an ongoing pilot study on HIV, to pay Cira up to \$50,000 to fund research activities at Cira as incurred, to pay royalties at variable rates based on sales of Licensed Product, and to prepare a research plan outlining the research to be conducted

to support a Biologic License Application ("BLA") or a New Drug Application ("NDA") to be filed with the United States Food and Drug Administration ("FDA"). No royalties are due to Cira until the Company recovers out-of-pocket expenditures for research and development through net sales of Licensed Product, up to a maximum of \$2 million.

6. SUBSIDIARIES

Due to anticipated changes in the production of RIGScan CR49, the Company determined during the second quarter of 1998 that Neoprobe Europe AB ("Neoprobe Europe"), the Company's biologics manufacturing and purification facility located in Lund, Sweden, was no longer critical to the manufacturing process, and that research and development activities being carried on at the facility could be performed more efficiently elsewhere. As a result, the Company took action in the second quarter to initiate the sale of Neoprobe Europe. As of June 30, 1998, activities regarding the potential sale were in the preliminary stages, and management was unable to estimate the effect on the Company's financial position. However, management did not believe the \$2.5 million book value of the net assets of Neoprobe Europe to be impaired at that time.

During October 1998, the Company reached an agreement to sell substantially all of the assets of Neoprobe Europe to a Swedish company. In exchange for the assets, the Swedish company agreed to pay the Company \$125,000 and assume certain obligations of Neoprobe Europe, such as the lease commitment. In connection with this agreement, the Company has recorded a provision of approximately \$2.0 million as of September 30, 1998, principally to write down the remaining assets of Neoprobe Europe to their estimated realizable value of approximately \$200,000. These assets are classified as held-for-sale and included in Other Assets at September 30, 1998.

7. CONTINGENCIES

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Company.

As of September 30, 1998, the Company had cash and cash equivalents and available-for-sale securities of \$6.1 million. Of this amount, \$2.0 million is pledged as security associated with the Company's revolving line of credit and the debt outstanding under its financing program for the construction of Neoprobe (Israel). However, an additional \$576,000 is available and unused under the line of credit at September 30, 1998, bringing total available cash to fund fourth quarter operations of \$4.7 million. The Company currently anticipates that approximately \$4.5 million in cash will be used to finance operating activities during the fourth quarter of 1998, and that the Company will end the year with a limited amount of cash which is not contractually restricted. The Company is actively pursuing other sources of improving its projected liquidity position as of December 31, 1998. Potential sources of capital include, but are not limited to, sale of non-strategic assets and raising of funds through private security placements. However, there can be no assurances that the Company will be able to raise funds on a timely basis, in the amounts required, at terms acceptable to the Company, or at all. The Company anticipates an approximate 45% increase in sales during the fourth quarter of 1998 compared to the same period in 1997 due to increased sales volumes of its gamma guided surgery products, at prices and margins similar to what has been achieved year to date in 1998. However, there can be no assurance that the increase in sales volumes and revenue will occur or that the prices and margins achieved on instrument sales in the fourth quarter of 1998 will be able to be maintained. The Company is engaged in discussions regarding the sale of approximately \$2.0 million non-strategic assets. However, there can be

no assurance that these discussions will be successfully concluded prior to December 31, 1998, at terms acceptable to the Company, or at all. If the Company does not receive adequate anticipated funds, it will need to further modify its business plan and seek other financing alternatives. Such financing may require sales of equity securities that could be dilutive to current holders of common stock, debt financing which may be on unfavorable terms, or asset dispositions that could force the Company to further change its business plan.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management Discussion and Analysis of Financial Condition and Results of Operations and other parts of this Report contain forward-looking statements that involve risks and uncertainties. The Company's actual results in 1998 and future periods may differ significantly from the prospects discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, government regulations, absence of government approval for marketing the Company's products, limited revenues, continuing net losses, accumulated deficit, uncertainty of capital funding for future capital needs, dependence on patents, proprietary technology and trade secrets, limited marketing experience, limited manufacturing capacity and experience, dependence on principal product line, uncertainty of market acceptance, no assurance of continued rights to targeting agents, royalty payments, competition, limited third party reimbursement, risk of technological obsolescence, possible volatility of stock price, anti-takeover provisions, product liability, dependence on key personnel, ability to attract new personnel, and ability to manage a changing business.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, the Company has financed its operations primarily through private and public offerings of its equity securities, from which it has raised gross proceeds of approximately \$120 million. As of September 30, 1998, the Company had cash, cash equivalents, and available-for-sale securities of \$6.1 million. However, portions of these funds secure the outstanding debt of the Company. The Company has access to approximately \$4.7 million in unrestricted funds to finance its operating activities for the fourth quarter of 1998. The Company is actively pursuing sources of funds to improve its projected liquidity position as of December 31, 1998. Potential sources include, but are not limited to, sale of non-strategic assets and private security placements. However, there can be no assurances that the Company will be able to raise funds, on a timely basis, in the amounts required, at terms acceptable to the Company, or at all.

To date, the Company has devoted substantially all of its efforts and resources to research and clinical development of innovative systems for the intraoperative diagnosis and treatment of cancers. During the first quarter of 1998, the Company implemented a business plan to reduce operating expenses and focus on three main business activities: commercializing the Company's first RIGS(R) system (radioimmunoguided surgery) product, called RIGScan(R) CR49 ((125)I - CC49 monoclonal antibody) for the surgical detection of metastatic colorectal cancer, increasing the Company's market position in gamma guided surgery applications, and developing activated cellular therapy ("ACT") products for cancer and viral diseases.

During the second quarter of 1998, the Company engaged the services of Lehman Brothers to assist in securing development partners and in the strategic assessment of the Company's business. To date, the Company has not entered into any definitive development agreements as a result of these efforts. There can be no assurances that a development partner will be identified on a timely basis, on terms acceptable to the Company, or at all. During the third quarter of 1998, based on further assessments of its RIGScan CR49 development plans with clinical and regulatory advisors and on discussions with Lehman Brothers, the Company further modified its business plan.

The Company's modified business plan focuses the Company's operating activities on its core gamma guided surgery instrument business for use in intraoperative lymphatic mapping ("ILM") while efforts are made to identify business partners who would assume financial development responsibility for RIGScan CR49 and ACT. The modified plan also involves marketing certain non-strategic assets, and performing only non-product specific plant validation at the Company's facility in Israel. Additionally, the Company will record approximately \$170,000 during the fourth quarter in severance expenses related to employees identified for

separation in October 1998. Since the beginning of the year, the Company has decreased its worldwide headcount by approximately 60% and has ended or is in the process of ending the majority of its research and development activities that are not related to ILM. In addition, the Company is liquidating its subsidiary in Sweden, Neoprobe Europe, in order to realize additional future cost savings. These actions were taken to arrive at the minimum support structure

management believes is necessary to support the gamma guided surgery business and to move the Company towards profitability.

In October 1997, the Company launched the Neoprobe(R) 1500 Portable Radioisotope Detector in response to an emerging surgical technique called ILM for treating patients with melanoma, a potentially deadly form of skin cancer, and for patients with breast cancer. Physicians use ILM to help trace the lymphatic patterns in a patient to evaluate tumor drainage and, therefore, potential metastatic tumor spread. ILM represents a less invasive surgical technique than existing techniques for staging cancer or determining whether the cancer has spread to the lymph nodes. ILM gives surgeons a map to find the first lymph nodes (i.e. sentinel node(s)) to which tumor is likely to drain or spread. For cutaneous malignant melanoma, ILM has become the standard of care in major cancer centers and community hospitals in the U.S. and is beginning to be adopted in countries outside the U.S. For breast cancer, the technique is rapidly becoming the standard of care at major cancer centers.

In an ILM procedure, a patient is injected at the site of the main tumor with a nonspecific radioactive tracing element. The surgeon tracks the agent's path with a hand-held radiation detection probe. ILM identifies the appropriate lymph nodes to be biopsied for determination of cancer spread. Clinical studies, involving nearly two thousand patients and published in well-known peer review medical journals, have shown ILM is 97% accurate in predicting the presence or absence of disease spread in melanoma or breast cancers. Physicians are also evaluating the application of ILM to other solid tumors.

The Company is currently selling the Neoprobe 1500 Portable Radioisotope Detector for ILM applications and is expanding its line of instruments to provide a variety of gamma-detecting probes for specialized uses. In March 1998, the Company introduced a smaller (14mm diameter) detection probe whose performance has been optimized for use in lymphatic mapping procedures. In October 1998, the Company launched its newest product, the neo2000(TM). The Company intends to continue to sell the Neoprobe 1500 as a basic ILM system without the additional features of the neo2000. The Company intends to expand its current gamma guided surgery product line with products which would produce positive cash flow in the near term. However, there can be no assurances that the Company will be successful in developing or acquiring additional products or that such products will contribute positive cash flow once developed or acquired. The Company recorded revenue of \$1.7 million and \$3.8 million during the third quarter and the first nine months of 1998, respectively, related to sales of instruments used in application of ILM.

Also, the Company holds proprietary development and marketing rights to the RIGS surgical system. The RIGS system integrates radiolabeled targeting agents and radiation detection instruments. Prior to 1996, the Company completed testing in Phase III clinical trials for the detection of metastatic and primary colorectal cancer using its first generation antibody, RIGScan CR49, as a targeting agent. During 1996, the Company submitted applications to the European regulatory agencies and to the FDA to request permits to begin marketing and selling the Company's RIGS products for the detection of metastatic colorectal cancer. In late 1997, the European regulatory agency (EMEA) requested additional manufacturing and clinical information for RIGScan CR49 before approval could be granted. Under EMEA guidelines, the Company's original application could not be amended to supply the requested information. As a result, the Company withdrew its application for European regulatory approval. At approximately the same time, the FDA indicated that the BLA for RIGScan CR49 was not approvable without the submission of additional information. Both the FDA and the EMEA required additional clinical data to demonstrate prospective clinical benefit of RIGScan CR49 in addition to the diagnostic findings demonstrated in the Phase III studies which the Company has determined cannot be obtained without the

completion of additional clinical studies.

During the first half of 1998, the Company engaged in discussions with the FDA to address the clinical and manufacturing questions outlined in its December 1997 response letter. Subsequent to these discussions, the Company determined in discussions with expert clinical and regulatory advisors that regulatory action plans with respect to the RIGScan surgical methodology would be most effectively implemented with a second generation antibody. Because of the costs and risks associated with this research and development activity, the Company has determined that it will not commit additional financial resources to RIGScan CR49 or the second generation antibody. Clinical trial activity and product-specific manufacturing validation activities related to RIGScan CR49 or the second generation antibody would be the financial responsibility of a development partner. However, the Company will move forward with the manufacturing validation of the Neoprobe Israel facility to better support the viability of a partnership or outsourcing opportunities at the facility. To date, the Company has not entered into

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any definitive agreements with a development partner for the RIGS technology. There can be no assurances that a development partner will be identified on a timely basis, on terms acceptable to the Company, or at all.

As a result of its RIGScan CR49 research, the Company has been studying the safety and efficacy of a RIGS based autologous Activated Cellular Therapy (RIGS/ACT(TM)) for cancer, which boosts the patient's own immune system by removing lymph nodes targeted by RIGScan CR49 during surgery and then, in a cell processing facility, activating and expanding "helper" T-cells found in the nodes. Within 10 to 14 days, the patient's own immune cells, now activated and numbering more than 20 billion, are infused into the patient to trigger an effective immune response to the cancer. An in vitro program has shown significant chemotherapy enhancement in a number of tumor cell lines for a variety of chemotherapeutic agents. The in vitro assessment correlates with an observation of potential chemotherapy enhancement in an earlier Phase I clinical study of unresectable colorectal patients. During 1998, the Company opened its first Investigational New Drug (IND) application for Phase I/II and Phase II multicenter trials with RIGS/ACT for resectable and unresectable colorectal cancer patients.

In addition, the Company has begun to evaluate the application of a non-RIGS based ACT therapy for the treatment of chronic viral diseases. Non-RIGS/ACT uses peripheral lymph nodes, obtained in an outpatient setting, as its initial culture material. After using the Company's activation and expansion procedures, the cells are infused in 10-14 days. A Phase I study has been completed with HIV/AIDS patients with encouraging results. Also, the Company recently opened a new Phase I trial in additional viral diseases, extending the use of activated cellular therapy in patients co-infected with HIV/AIDS and chronic active hepatitis B or C. In addition, the Company has been working with researchers to isolate and characterize a soluble factor which appears to be present in the lymph nodes of both cancer and viral disease patients.

Results of the aforementioned ACT trials will give direction and targeted endpoints for designing larger multicenter pivotal trials, to be pursued by a strategic partner. The Company does not currently intend to expend financial resources on further research and development or clinical evaluations of ACT without financial assistance from a development partner. To date, the Company has not entered into any definitive agreements with a development partner for ACT. There can be no assurances that a development partner will be identified on a timely basis, on terms advantageous to the Company, or at all.

For the period from inception to September 30, 1998, the Company has incurred cumulative net losses of \$105 million. The Company's only approved products are instruments used in gamma guided surgery related to the application of ILM. The Company does not currently have a RIGS drug product approved for commercial sale in any major market. Based on the Company's modified business plan which focuses Company resources on ILM, the Company does not anticipate commercial sales of sufficient volume to generate positive cash flow from operations until the year 2000, at the earliest. The Company has incurred, and will continue to incur, substantial expenditures for research and development activities related to

enhancing and expanding its current gamma guided surgery product portfolio and to fund marketing development in bringing its products to the commercial market. The Company currently estimates it will require approximately \$15 million to fund research and development, marketing, and general and administrative activities in 1999. The Company anticipates a significant portion of the cash necessary to fund such operating activities will be generated from sales of its gamma guided surgery products. There can be no assurance that additional gamma guided surgery products will be approved for marketing by the FDA or any foreign government agency, or that any such products will be successfully introduced or achieve market acceptance.

As of September 30, 1998, the Company had cash and cash equivalents and available-for-sale securities of \$6.1 million. Of this amount, \$2.0 million is pledged as security associated with the Company's revolving line of credit and the debt outstanding under its financing program for the construction of Neoprobe (Israel). However, an additional \$576,000 is available and unused under the line of credit at September 30, 1998, bringing total available cash to fund fourth quarter operations of \$4.7 million. The Company currently anticipates that approximately \$4.5 million in cash will be used to finance operating activities during the fourth quarter of 1998, and that the Company will end the year with a limited amount of cash which is not contractually restricted. The Company is actively pursuing other sources of improving its projected liquidity position as of December 31, 1998. Potential sources of capital include, but are not limited to, sale of non-strategic assets and raising of funds through private security placements. However, there can be no assurances that the Company will be able to raise funds on a timely basis, in the amounts required, at terms acceptable to the Company, or at all. The Company anticipates an approximate 45% increase in sales during the fourth quarter of 1998 compared to the same period in 1997 due to increased sales volumes of its gamma guided surgery products, at prices and margins similar to what has been achieved year-to-

date in 1998. However, there can be no assurance that the increase in sales volumes and revenue will occur or that the prices and margins achieved on instrument sales in the fourth quarter of 1998 will be able to be maintained. The Company is engaged in discussions regarding the sale of approximately \$2.0 million non-strategic assets. However, there can be no assurance that these discussions will be successfully concluded prior to December 31, 1998, at terms acceptable to the Company, or at all. The Company also expects to experience cost savings during the fourth quarter of 1998 as a result of modifications to its business plan regarding RIGS and ACT. If the Company does not receive these anticipated funds, it will need to further modify its business plan and seek financing alternatives not currently being considered. Such financing may require sales of equity securities that could be dilutive to current holders of common stock, debt financing which may be on unfavorable terms, or asset dispositions that could force the Company to further change its business plan.

At December 31, 1997, the Company had U.S. net operating tax loss carryforwards of approximately \$75.8 million to offset future taxable income through 2012. Additionally, the Company has U.S. tax credit carryforwards of approximately \$2.2 million available to reduce future income tax liability through 2012. Under Section 382 of the Internal Revenue Code of 1986, as amended, use of prior tax loss carryforwards is limited after an ownership change. As a result of ownership changes which occurred in March 1989 and in September 1994, the Company's tax loss carryforwards and tax credit carryforwards are subject to the limitations described by Section 382. The Company's international subsidiaries also have net operating tax loss carryforwards in their respective foreign jurisdictions.

The Company has executed various agreements with third parties that supplement the technical and marketing capabilities of the Company. The Company is generally obligated to such parties to pay royalties or commissions upon commercial sale of the related product. The Company's estimate of its allocation of cash resources is based on the current state of its business operations, its current business plan, and current industry and economic conditions, and is subject to revisions due to a variety of factors including without limitation, additional expenses related to marketing and distribution, regulatory licensing

and research and development, and to reallocation among categories and to new categories. The Company may need to supplement its funding sources from time to time.

Neoprobe Europe AB, formerly called (New)MonoCarb AB, is a wholly-owned subsidiary of the Company, located in Lund, Sweden, where it operated a biologics manufacturing and purification facility. The Company used the facility to perform research and development activities and prepare the CC49 monoclonal antibody for final radiolabeling. Due to anticipated changes in the production of RIGScan CR49, it was determined that the facility was no longer critical to the manufacturing process, and that research and development activities being carried on at the facility could be performed more efficiently elsewhere. As a result, the Company took action in the second quarter to initiate the sale of Neoprobe Europe. During October 1998, the Company reached an agreement to sell substantially all of the assets of Neoprobe Europe AB to a Swedish company. In exchange for the assets, the Swedish company agreed to pay the Company \$125,000 and assume certain obligations of Neoprobe Europe, such as the facility lease commitment. In connection with this agreement, the Company has commenced liquidation of Neoprobe Europe and has recorded a provision of \$2.0 million as of September 30, 1998, to reflect the estimated realizable value of the remaining assets of Neoprobe Europe as well as the estimated \$200,000 in cash exit costs expected to be incurred during the fourth quarter.

In 1994, the Company formed Neoprobe (Israel) to construct and operate a radiolabeling facility near Dimona, Israel, for radiolabeling of the Company's targeting agents. The Company owns 95% of Neoprobe (Israel), with Rotem Industries Ltd. ("Rotem"), the private arm of the Israeli atomic energy authority, owning the balance and managing the facility. Construction of the facility is being financed through a financial program approved by the state of Israel's Finance Committee (the "Committee"). The total amount of the approved program is \$9.9 million. Neoprobe (Israel) is entitled to receive grants based on a percentage of its investment and a government guarantee of 75% to 85% of the principal balance of bank loans taken to build and operate the facility. The loan portion of the investment program expired in September 1998; however, the Company still expects to receive funds related to capital costs incurred prior to the expiration of the loan program. The Company has successfully negotiated an extension of the grant portion of the program for an additional year. During nine months ended September 30, 1998, the Company received loan proceeds of approximately \$2.7 million under the government sponsored program. The Company expects to receive an additional \$500,000 in loan and grant proceeds under the approved program during the remainder of 1998. The Company anticipates advancing \$300,000 to Neoprobe (Israel) to fund operations during the remainder of 1998.

As many computer systems and other equipment with embedded chips or processors (collectively, "Business Systems") use only two digits to represent the year, they may be unable to process accurately certain data before, during or after the year 2000. As a result, business and governmental entities are at risk for possible miscalculations or system failures causing disruptions in their business operations. This is commonly known as the Year 2000 ("Y2K") issue or Century Date Change ("CDC") issue. The CDC issue can arise at any point in the Company's supply, manufacturing, distribution and financial chains. The Company and each of its operating subsidiaries are in the process of implementing an assessment and readiness plan with the objective of having all their significant internal Business Systems functioning properly with respect to the Y2K issue before January 1, 2000 and minimizing the possible disruptions to the Company's business which could result from the Y2K problem.

As part of its readiness plan, the Company is in the process of conducting a company-wide assessment of its Business Systems to identify elements which are not Y2K compliant. Based on assessment activity to date, the Company presently believes that the majority of its critical Business Systems have been purchased and installed in recent years and are already Y2K compliant. The Company's internal Business Systems have not internally generated programmed software coding to correct, as substantially all of the software utilized by the Company has been recently purchased or licensed from external vendors. At the completion of the assessment phase, the Company intends to perform comprehensive testing of its Business Systems in early 1999.

Those Business Systems which are not presently Y2K compliant are anticipated to be replaced, upgraded or modified in the normal replacement cycle prior to 2000. The Company estimates the total cost to the Company of completing any required modifications, upgrades or replacements of its internal systems will not have a material adverse effect on the Company's business. This estimate is being monitored and will be revised as additional information becomes available.

The Company has also initiated communications with third parties whose Business Systems functionality could impact the Company. These communications will facilitate coordination of Y2K solutions and will permit the Company to determine the extent of which it may be vulnerable to failures of third parties to address their own Y2K issues. Because the manufacturing and distribution of the Company's products are almost entirely outsourced to other entities, the failure of these third parties to achieve Y2K compliance could have a material impact on the Company's business, financial position, results of operations and cash flows. The Company has attempted, where possible, to establish contractual requirements for Y2K compliance by such third parties. However, the Company has limited control over the actions of these third parties on which the Company directly or indirectly places reliance. There can be no guarantee that such systems that are not now Y2K compliant will be timely converted to Y2K compliance.

The Company has also assessed the potential Y2K related exposure it may have with respect to gamma detection instrumentation which it has delivered to customers. The Company does not believe products it has distributed to date or that may be distributed in the future face any significant Y2K problems which will affect their functionality or utility by the customer.

The Company does not yet have a comprehensive contingency plan with respect to the Y2K issue but intends to establish such a plan during calendar 1999 as part of its ongoing Y2K compliance effort.

The foregoing assessment of the impact of the Y2K problem on the Company is based on management's best estimates at the present time and could change substantially. The assessment is based on numerous assumptions as to future events. There can be no guarantee that these estimates will prove accurate, and actual results could differ from those estimates if these assumptions prove inaccurate.

RESULTS OF OPERATIONS

Since inception, the Company has dedicated substantially all of its resources to research and development of its RIGS technology for the intraoperative diagnosis and treatment of cancer. Until the appropriate regulatory approvals are received, the Company is limited in its ability to generate revenue. During the third quarter and nine months ended September 30, 1998, the Company generated sales of Neoprobe 1500 systems of \$1.7 and \$3.8 million, respectively. Results of operations for the first three quarters of 1998 include approximately \$800,000 in costs associated with the reorganization activities of the Company during the first quarter.

Research and development expenses during the first three quarters of 1998 were \$11.1 million, or 55% of operating expenses for the period. Marketing and selling expenses were \$3.8 million, or 19% of operating

expenses during the period, and general and administrative expenses were \$4.4 million, or 21% of operating expenses for the period. The Company anticipates that 1998 total operating expenses will decrease over 1997 in relation to expected increases in sales. The Company expects research and development and general and administrative expenses to decrease from 1997 levels as a result of the refocused business plan adopted in February. However, the Company also expects marketing and selling expenses to increase from 1997 levels. In addition, the Company recorded a \$2.0 million change in the third quarter, related to the closure of its facility in Lund, Sweden.

Three Months ended September 30, 1998, and 1997.

Revenue and Other Income

The Company had net sales of approximately \$1.7 million during the third quarter of 1998, compared to \$1.3 million during the same period in 1997. Net sales in both years were composed almost entirely of instrument sales. Instrument sales in 1997 reflect contributions from the Company's marketing arrangement with the United States Surgical Corporation which was terminated in October 1997. Instrument sales during the third quarter of 1998 were based on leads generated primarily by the Company's clinical specialists' sales force and representatives of EES. Other income during the third quarter of 1998 and 1997 was \$488,000 and \$1.5 million, respectively, and represented primarily interest income earned during both periods.

Research and Development Expenses

Research and development expenses decreased during the third quarter of 1998 to \$2.4 million from \$4.1 million for the same period in 1997. The decrease in research and development expenses reflects decreased activity in all phases of the Company's development programs consistent with the implementation of the Company's modified business plan. Expenses related to RIGScan CR49, including internal headcount and overhead costs, continued to decrease as clinical and manufacturing validation activity declined pending identification of a development partner. Instrument-related expenses decreased due to the wind-down of the design phase of next-generation products. Pipeline projects development decreased related to the refocused business plan. Clinical trial activity in both periods related to the Company's therapeutic projects and remained constant.

Marketing and Selling Expenses

During the third quarter of 1998, marketing and selling expenses increased by \$584,000 over the same period in 1997. The increase in marketing expenses during the third quarter of 1998, as compared to the same period in 1997, relates to increased internal marketing efforts to meet competitive pressure and further penetrate the lymphatic mapping market. The increased expenses were the result of a greater number of sales and marketing personnel in 1998, coupled with relative increases in travel and entertainment as well as promotional costs associated with new product launched during the second quarter.

General and Administrative Expenses

General and administrative expenses were \$1.2 million for the third quarter of 1998 compared to \$1.5 million for the same period in 1997. The decrease is due primarily to lower average headcount and related overhead costs during the third quarter of 1998 compared to the same period in 1997.

Facility Closure Costs

During the third quarter of 1998, the Company recorded a \$2.0 million expense related to costs to close its antibody production and research facility located in Lund, Sweden. The majority of the costs (\$1.7 million) related to impairment of fixed assets down to their estimated realizable value. The remainder of the costs related to accruing severance costs during the closure period.

Nine Months ended September 30, 1998 and 1997

Revenue and Other Income

The Company had net sales of approximately \$3.8 million during the first nine months of 1998, compared to \$3.5 million during the same period in 1997. Net sales in both years were composed almost entirely of instrument sales. Instrument sales in 1997 reflect contributions from the Company's marketing arrangement with the United States Surgical Corporation which was terminated in October 1997. Instrument sales during the first nine months of 1998 were based on leads generated primarily by the Company's clinical specialists' sales force and representatives

income earned during both periods.

Research and Development Expenses

Research and development expenses decreased during the first nine months of 1998 to \$11.1 million from \$13.3 million for the same period in 1997. The decrease reflects the Company's efforts to reduce costs consistent with the refocused business plan announced in February 1998, which was further modified in the third quarter of 1998. Year-to-date costs in 1998 include approximately \$800,000 related to severance and other separation-related costs, but such costs were offset by decreases in expenses related to RIGScan CR49 pending identification of a development partner. Instrument-related expenses decreased due to the wind-down of the design phase of next-generation products. Pipeline projects decreased related to the refocused business plan. Clinical trial activity related to the Company's therapeutic projects increased approximately \$200,000 in 1998 over 1997 levels.

Marketing and Selling Expenses

During the first nine months of 1998, marketing and selling expenses increased by \$1.0 million over the same period in 1997. The increase in marketing expenses during the first three quarters of 1998, as compared to the same period in 1997, relates to an increased marketing effort to meet competitive pressure and further penetrate the lymphatic mapping market. The increased expenses were the result of a greater number of sales and marketing personnel in 1998, coupled with relative increases in travel and entertainment as well as promotional costs associated with the launch of new products.

General and Administrative Expenses

General and administrative expenses were \$4.4 million for the first nine months of 1998 compared to \$5.1 million for the same period in 1997. Severance and other overhead and employee separation costs related to the February reorganization were offset by an overall lower headcount during the first half of 1998 than the same period in 1997.

Facility Closure Costs

During the third quarter of 1998, the Company recorded a \$2.0 million expense related to costs to close its antibody production and research facility located in Lund, Sweden. The majority of the costs (\$1.7 million) related to impairment of fixed assets down to their estimated realizable value. The remainder of the costs related to accruing severance costs during the closure period.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) LIST OF EXHIBITS

3. ARTICLES OF INCORPORATION AND BY-LAWS

Exhibit 3.1

Complete Restated Certificate of Incorporation of Neoprobe Corporation, as corrected February 18, 1994 and as amended June 27, 1994, July 25, 1995 and June 3, 1996 (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated June 20, 1996; Commission File No. 0-26520).

Exhibit 3.2

Amended and Restated By-Laws dated July 21, 1993 as amended July 18, 1995 and May 30, 1996 (incorporated by reference to Exhibit 99.4 to the Registrant's Current Report on Form 8-K dated June 20, 1996; Commission File No. 0-26520).

4. INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES

Exhibit 4.1

See Articles FOUR, FIVE, SIX and SEVEN of the Restated Certificate of Incorporation of the Registrant (see Exhibit 3.1).

Exhibit 4.2

See Articles II and VI and Section 2 of Article III and Section 4 of Article VII of the Amended and Restated By-Laws of the Registrant (see Exhibit 3.2).

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Exhibit 4.3

Rights Agreement dated as of July 18, 1995 between the Registrant and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 1 of the registration statement on Form 8-A; Commission File No. 0-26520).

10. MATERIAL CONTRACTS

Exhibit 10.4.26

Letter amendment dated October 14, 1998 to the Sales and Marketing Agreement dated April 21, 1998 between the Registrant and Ethicon Endo-Surgery, Inc., an Ohio corporation (filed pursuant to Rule 24b-2 under which the Registrant has requested confidential treatment of certain portions of this Exhibit).

Page 22 in the manually signed original.

Exhibit 10.4.27

Promissory Note, dated September 25, 1998, issued by Registrant to Bank One, NA.

Page 24 in the manually signed original.

Exhibit 10.4.28

Addendum to the Promissory Note dated September 25, 1998 issued by Registrant to Bank One, NA.

Page 26 in the manually signed original.

Exhibit 10.4.29

Covenant Agreement dated September 25, 1998 between the Registrant and Bank One, NA.

Page 32 in the manually signed original.

Exhibit 10.4.30

Assignment of Deposit Account dated September 25, 1998 between Registrant and Bank One, NA.

Page 35 in the manually signed original.

Exhibit 10.4.31

Asset Purchase Agreement dated October 14, 1998 between the Registrant, Neoprobe Europe AB, a corporation organized and existing under the laws of Sweden, and Bioinvent Production AB, a corporation organized and existing under the laws of Sweden.

Page 39 in the manually signed original.

11. STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS

Exhibit 11.1

Computation of Net Loss Per Share.

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27. FINANCIAL DATA SCHEDULE

Exhibit 27.1

Financial Data Schedule (submitted electronically for SEC information only).

(b) REPORTS ON FORM 8-K.

No current report on Form 8-K was filed by the Registrant during the third quarter of fiscal 1998.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEOPROBE CORPORATION
(the "Registrant")

Dated: November 16, 1998

By: /s/ David C. Bupp

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

By: /s/ Brent Larson

Brent Larson
Vice President, Finance and
Administration (principal financial

and accounting officer)

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

NEOPROBE CORPORATION

FORM 10-Q QUARTERLY REPORT

FOR THE FISCAL QUARTER ENDED:

SEPTEMBER 30, 1998

EXHIBITS

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Exhibit 4.3

Rights Agreement dated as of July 18, 1995 between the Registrant and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 1 of the registration statement on Form 8-A; Commission File No. 0-26520).

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EXHIBIT 10.4.26

Omitted portions of this Exhibit are subject to a Request for Confidential Treatment under rule 24b-2.

October 14, 1998

Neoprobe Corporation
Attn: Mr. David C. Bupp, President and CEO
425 Metro Place North
Suite 300
Dublin, OH 43017-1367

Ladies and Gentlemen:

Reference is hereby made to that certain Sales and Marketing Agreement, dated as of April 21, 1998 (the "Original Agreement"), by and between Neoprobe Corporation, a Delaware corporation ("Neoprobe"), and Ethicon Endo-Surgery, Inc., an Ohio corporation ("EES"). Each of EES and Neoprobe deems it to be in its best interest to amend the terms of the Original Agreement and, in consideration of the premises and mutual covenants contained herein, the parties hereto agree, and this letter will confirm our agreement, to amend the Original Agreement as follows:

1. Territory. Section 1 shall be amended by deleting the words "Japan" and "Australia" appearing in the first sentence thereof.
2. Responsibilities in Europe. Section 3(b) shall be amended by adding the following language at the end thereof:

"EES and Neoprobe shall mutually agree on the specific accounts in Europe (the "European Accounts") that shall be subject to this Agreement and shall as soon as reasonably practicable after the date hereof, create a list thereof (the "Account List") which will be continually updated as necessary and subject to a formal review and revision, as mutually agreed upon, by both parties between January 1, 1999 and January 15, 1999. EES shall support the European Accounts and EES shall receive commissions with respect to all sales of Neoprobe(R) Systems made to such European Accounts from and after the date hereof as set forth hereinafter. The responsibility of EES shall be to use its reasonable efforts to generate leads for additional European Accounts, to introduce the European Accounts to Neoprobe clinical specialists and to otherwise assist in facilitating the sales of Neoprobe(R) Systems by Neoprobe clinical specialists to such European Accounts, as appropriate. EES represents that the EES sales representative that facilitates a sale of a Neoprobe(R) System will receive a reasonable level of commission representing this sale."

Text which has been omitted and filed separately under Rule 24-b2, pursuant to which Neoprobe Corporation has requested confidential treatment of this information, has been replaced by "*****" in this Exhibit.

Omitted portions of this Exhibit are subject to a Request for Confidential Treatment under rule 24b-2.

3. Commissions on European Sales. Section 4(a) shall be amended by (i) adding a new subsection (iv) which shall read in its entirety as follows:

"(iv) Neoprobe shall pay EES a commission of *****% of the invoice amount net of shipping, value added taxes, and any other duties, on all systems and accessories sold during the term of this agreement with respect to all Neoprobe(R) Systems sold to European Accounts."

; and (ii) renumbering subsections "(iv), (v) and (vi)" as "(v), (vi) and (vii)", respectively.

Please acknowledge your acquiescence with the terms and provisions of this letter by countersigning where indicated below and, upon such countersigning, the provisions of this letter shall become effective and in full force and effect.

Very truly yours,

ETHICON ENDO-SURGERY, INC.

By: /s/ Katja Kreutzer

Name: Katja Kreutzer
Title: Vice President, Breast
Care Management, Europe

AGREED TO AND ACCEPTED:

NEOPROBE CORPORATION

By: /s/ David C. Bupp

Name: David C. Bupp
Title: President/CEO

Text which has been omitted and filed separately under Rule 24-b2, pursuant to which Neoprobe Corporation has requested confidential treatment of this information, has been replaced by "*****" in this Exhibit.

EXHIBIT 10.4.27

<TABLE>
<CAPTION>

PROMISSORY NOTE

PRINCIPAL	LOAN DATE	MATURITY	LOAN NO.	CALL	COLLATERAL	ACCOUNT	OFFICER	INITIALS
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
\$1,000,000.00	09-25-1998	08-31-1999	010	0164044165	97300			

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item.

</TABLE>

Borrower: NEOPROBE CORPORATION Lender: Bank One, NA
425 METRO PLACE NORTH, SUITE 400 Home Office - Columbus
DUBLIN, OH 43017 100 East Broad Street
 Columbus, OH 43271

Principal Amount: \$1,000,000.00 Date of Note: September 25, 1998

PROMISE TO PAY. For value received, NEOPROBE CORPORATION ("Borrower") promises to pay to Bank One, NA ("Lender"), or order, in lawful money of the United States of America, the principal amount of One Million & 00/100 Dollars (\$1,000,000.00) ("Total Principal Amount") or so much as may be outstanding, together with interest on the unpaid outstanding principal balance from the date advanced until paid in full.

PAYMENT. This Note shall be payable as follows: Interest shall be due and payable monthly as it accrues, commencing on November 1, 1998 and continuing on the same day of each month thereafter during the term of this Note, and the outstanding principal balance of this Note, together with all accrued but unpaid interest, shall be due and payable on August 31, 1999. The annual interest rate for this Note is computed on a 365/360 basis; that is, by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at the address designated by Lender from time to time in writing. If any payment of principal of or interest on this Note shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day. As used herein, the term "Business Day" shall mean any day other than a Saturday, Sunday or any other day on which national banking associations are authorized to be closed. Unless otherwise agreed to, in writing, or otherwise required by applicable law, payments will be applied first to accrued, unpaid interest, then to principal, and any remaining amount to any unpaid collection costs, late charges and other charges, provided, however, upon delinquency or other default, Lender reserves the right to apply payments among principal, interest, late charges, collection costs and other charges at its discretion. The books and records of Lender shall be prima facie evidence of all outstanding principal of and accrued but unpaid interest on this Note. If this Note is governed by or is executed in connection with a loan agreement, this Note is subject to the terms and provisions thereof.

VARIABLE INTEREST RATE. The interest rate on this Note is subject to fluctuation based upon the Prime Rate of interest in effect from time to time (the "Index") (which rate may not be the lowest, best or most favorable rate of interest which Lender may charge on loans to its customers). "Prime Rate" shall mean the rate announced from time to time by Lender as its prime rate. Each change in the rate to be charged on this Note will become effective without notice on the same day as the Index changes. Except as otherwise provided herein, the unpaid principal balance of this Note will accrue interest at a rate per annum which will from time to time be equal to the sum of the Index, plus 0.000%. NOTICE: Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law.

PREPAYMENT. Borrower may pay without fee all or a portion of the principal amount owed hereunder earlier than it is due. All prepayments shall be applied to the indebtedness owing hereunder in such order and manner as Lender may from

time to time determine in its sole discretion.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment of \$25.00, whichever is greater, up to the maximum amount of \$250.00 per late charge.

DEFAULT. Borrower will be in default if any of the following happens: (a) Borrower fails to make any payment of principal or interest when due under this Note or any other indebtedness owing now or hereafter by Borrower to Lender; (b) failure of Borrower or any other party to comply with or perform any term, obligation, covenant or condition contained in this Note or in any other promissory note, credit agreement, loan agreement, guaranty, security agreement, mortgage, deed of trust or any other instrument, agreement or document, whether now or hereafter existing, executed in connection with this Note (the Note and all such other instruments, agreements, and documents shall be collectively known herein as the "Related Documents"); (c) Any representation or statement made or furnished to Lender herein, in any of the Related Documents or in connection with any of the foregoing is false or misleading in any material respect; (d) Borrower or any other party liable for the payment of this Note, whether as maker, endorser, guarantor, surety or otherwise, becomes insolvent or bankrupt, has a receiver or trustee appointed for any part of its property, makes an assignment for the benefit of its creditors, or any proceeding is commenced either by any such party or against it under any bankruptcy or insolvency laws; (e) the occurrence of any event of default specified in any of the other Related Documents or in any other agreement now or hereafter arising between Borrower and Lender; (f) the occurrence of any event which permits the acceleration of the maturity of any indebtedness owing now or hereafter by Borrower to any third party; (g) the liquidation, termination, dissolution, death or legal incapacity of Borrower or any other party liable for the payment of this Note, whether as maker, endorser, guarantor, surety, or otherwise; or (h) Lender deems itself insecure by in good faith believing the prospect of payment or performance hereunder or under any of the Related Documents is impaired.

LENDER'S RIGHTS. Upon default, Lender may at its option, without further notice or demand (i) declare the entire unpaid principal balance on this Note, all accrued unpaid interest and all other amounts, costs and expenses for which borrower is responsible under this Note or any other Related Document immediately due, (ii) refuse to advance any additional amounts under this Note, (iii) foreclose all liens securing payment hereof, (iv) pursue any other rights, remedies and recourses available to the Lender, including without limitation, any such rights, remedies or recourses under the Related Documents, at law or in equity, or (v) pursue any combination of the foregoing. Upon default, including failure to pay upon final maturity, Lender, at its option, may also, if permitted under applicable law, do one or both of the following: (a) increase the variable interest rate on this Note to 3.000 percentage points over the Index, and (b) add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in this Note (including any increased rate). The interest rate will not exceed the maximum rate permitted by applicable law. Lender may hire an attorney to help collect this Note if Borrower does not pay and Borrower will pay Lender's reasonable attorneys' fees and all costs of collection, unless prohibited by applicable law. This Note has been delivered to Lender and accepted by Lender in the State of Ohio. Subject to the provisions on arbitration, this Note shall be governed by and construed in accordance with the laws of the State of Ohio without regard to any conflict of laws or provisions thereof.

PURPOSE. Borrower agrees that no advances under this Note shall be used for personal, family, or household purposes and that all advances hereunder shall be used solely for business, commercial, agricultural or other similar purposes.

JURY WAIVER. THE BORROWER AND LENDER (BY ITS ACCEPTANCE HEREOF) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) BETWEEN BORROWER AND LENDER ARISING OUT OF OR IN ANY WAY RELATED TO THIS NOTE OR THE OTHER RELATED DOCUMENTS. THIS PROVISION IS A MATERIAL INDUCEMENT TO LENDER TO PROVIDE THE FINANCING EVIDENCED BY THIS NOTE.

CONFESSION OF JUDGMENT. Borrower hereby irrevocably authorizes and empowers any attorney-at-law to appear in any court of record and to confess judgment against Borrower for the unpaid amount of this Note, plus attorneys' fees as provided in this Note, plus costs of suit, and to release all errors, and waive all rights of appeal. If a copy of this Note, verified by an affidavit, shall have been

filed in the proceeding, it will not be necessary to file the original as a warrant of attorney. Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect. No single exercise of the foregoing warrant and power to confess judgment will be deemed to exhaust the power, whether or not any such exercise shall be held by any court to be invalid, voidable, or void; but the power will continue undiminished and may be exercised from time to time as Lender may elect until all amounts owing on this Note have been paid in full.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$25.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. Unless a lien would be prohibited by law or would render a nontaxable account taxable, Borrower grants to Lender a contractual possessory security interest in, and hereby assigns, conveys, delivers, pledges, and transfers to Lender all Borrower's right, title and interest in and to,

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PROMISSORY NOTE

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Loan No.

(Continued)

Borrower's accounts with Lender (whether checking, savings, or any other account), including without limitation all accounts held jointly with someone else and all accounts Borrower may open in the future. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on this Note against any and all such accounts.

LINE OF CREDIT. This Note evidences a revolving line of credit. Borrower may request advances and make payments hereunder from time to time, provided that it is understood and agreed that the aggregate principal amount outstanding from time to time hereunder shall not at any time exceed the Total Principal Amount. The unpaid principal balance of this Note shall increase and decrease with each new advance or payment hereunder, as the case may be. Subject to the terms hereof, Borrower may borrow, repay and reborrow hereunder. Advances under this Note may be requested orally by Borrower or by an authorized person. Lender may, but need not, require that all oral requests be confirmed in writing. All communications, instructions, or directions by telephone or otherwise to Lender are to be directed to Lender's office shown above. Borrower agrees to be liable for all sums either: (a) advanced in accordance with the instructions of an authorized person or (b) credited to any of Borrower's accounts with Lender.

ARBITRATION. Lender and borrower agree that upon the written demand of either party, whether made before or after the institution of any legal proceedings, but prior to the rendering of any judgment in that proceeding, all disputes, claims and controversies between them, whether individual, joint, or class in nature, arising from this Note, any Related Document or otherwise, including without limitation contract disputes and tort claims, shall be arbitrated pursuant to the Commercial Rules of the American Arbitration Association. Any arbitration proceeding held pursuant to this arbitration provision shall be conducted in the city nearest the Borrower's address having an AAA regional office, or at any other place selected by mutual agreement of the parties. No act to take or dispose of any collateral shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This arbitration provision shall not limit the right of either party during any dispute, claim or controversy to seek, use, and employ ancillary, provisional or preliminary rights and/or remedies, judicial or otherwise, for the purposes of realizing upon, preserving, protecting, foreclosing upon or proceeding under forcible entry and detainer for possession of, any real or personal property, and any such action shall not be deemed an election of remedies. This includes, without limitation, obtaining injunctive relief or a temporary restraining order, invoking a power of sale under any deed of trust or mortgage, obtaining a writ of attachment or imposition of a receivership, or exercising any rights relating to personal property, including taking or disposing of such property with or without judicial process pursuant to Article 9 of the Uniform Commercial Code. Any disputes, claims, or controversies concerning the lawfulness or reasonableness of any act, or exercise of any right or remedy, concerning any collateral, including any claim to rescind, reform, or otherwise modify any agreement relating to the collateral, shall also be arbitrated; provided however that no arbitrator shall have the right or the power to enjoin or restrain any act of either party. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. Nothing in this arbitration provision shall preclude either party from seeking equitable relief from a court of competent jurisdiction. The statute of limitations, estoppel, waiver, laches and similar doctrines which would otherwise be applicable in an action brought by a

party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of any action for these purposes. The Federal Arbitration Act (Title 9 of the United States Code) shall apply to the construction, interpretation, and enforcement of this arbitration provision.

ADDITIONAL PROVISION REGARDING LATE CHARGES. The "Late Charge" provision set forth above in this Note is hereby deleted and the following provision shall apply to this Note: Borrower agrees that if a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment or Twenty Five Dollars (\$25.00), whichever is greater, up to the maximum amount of One Thousand Five Hundred Dollars (\$1,500.00).

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. In particular, this section means (among other things) that Borrower does not agree or intend to pay, and Lender does not agree or intend to contract for, charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for this loan, which would in any way or event (including demand, prepayment, or acceleration) cause Lender to charge or collect more for this loan than the maximum Lender would be permitted to charge or collect by federal law or the law of the State of Ohio (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this loan, and when the principal has been paid in full, be refunded to Borrower. Lender may delay or forego enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, protest and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this Note, or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this Note without the consent of or notice to anyone other than the party with whom the modification is made. Borrower agrees and consents to Lender's sale or transfer, whether now or later, or one or more participation interests in this Note to one or more purchasers, whether related or unrelated to Lender. Lender may provide, without any limitation whatsoever, to any one or more purchasers, or potential purchasers, any information or knowledge Lender may have about Borrower or about any other matter relating to this Note, and Borrower hereby waives any rights to privacy Borrower may have with respect to such matters. Borrower additionally waives any and all notices of sale of any participation interests, as well as all notices of any repurchase of any such participation interests.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE AND ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THE NOTE.

WARNING - BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

BORROWER:

NEOPROBE CORPORATION

By: /s/ Brent L. Larson

AUTHORIZED SIGNER
=====

ADDENDUM

THIS ADDENDUM is executed with respect to the Promissory Note in the original principal amount of \$ 1,000,000.00 dated September 25, 1998 [and maturing on August 31, 1999] (the "Note"), made by Neoprobe Corporation (referred to in this Addendum as "Borrower") payable to the order of Bank One, NA ("Lender"), and is hereby incorporated into and made a part of the Note. Terms used in this Addendum with their initial letters capitalized are used as defined in the Note, unless they are otherwise expressly defined herein.

1. The paragraph in the Note having the caption "VARIABLE INTEREST RATE" is hereby deleted in its entirety and the following is hereby substituted in lieu thereof:

VARIABLE INTEREST RATE. Subject to designation of a different interest rate index by Borrower as provided below, the interest rate on this Note is subject to fluctuation based upon the Prime Rate of interest in effect from time to time (the "Index") (which rate may not be the lowest, best or most favorable rate of interest which Lender may charge on loans to its customers). "Prime Rate" shall mean the rate announced from time to time by Lender as its prime rate. Each change in the variable interest rate to be charged on this Note will become effective without notice on the same day as the Index changes. Except as otherwise provided herein, the unpaid principal balance of this Note will accrue interest at a rate per annum which will from time to time be equal to the sum of the Index, plus 0.00%.

INTEREST RATE OPTIONS. The following interest rate options are available under this Note:

(a) Default Option. The interest rate margin and index described in the "VARIABLE INTEREST RATE" paragraph above (the "Default Option").

(b) ONE MONTH LONDON INTERBANK OFFERED RATE. A margin of 2.25 percentage points over the one month LONDON INTERBANK OFFERED RATE ("LIBOR"). For purposes of this Note, the one month LIBOR rate shall mean the one month offered rate for U.S. Dollar deposits of not less than \$1,000,000.00 as of 11:00 A.M. City of London, England time two London Business Days prior to the first date of each one month Interest Period (as defined below) of this Note as shown on the display designated as "British Bankers Assoc. Interest Settlement Rates" on the Dow Jones Telerate Service ("Telerate"), Page 3750 (or such other page as may replace that page on that service for the purpose of displaying such rate). Provided, however, that if such LIBOR rate is not available on Telerate then such offered rate shall be otherwise independently determined by Lender from an alternate, substantially similar independent source or service available to Lender or shall be calculated by Lender by a substantially similar methodology as that theretofore used to determine such offered rate in Telerate.

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(c) TWO MONTH LONDON INTERBANK OFFERED RATE. A margin of 2.25 percentage points over the two month LONDON INTERBANK OFFERED RATE ("LIBOR"). For purposes of this Note, the two month LIBOR rate shall mean the two month offered rate for U.S. Dollar deposits of not less than \$1,000,000.00 as of 11:00 A.M. City of London, England time two London Business Days prior to the first date of each two month Interest Period (as defined below) of this Note as shown on the display designated as "British Bankers Assoc. Interest Settlement Rates" on the Dow Jones Telerate Service ("Telerate"), Page 3750 (or such other page as may replace that page on that service for the purpose of displaying such rate). Provided, however, that if such LIBOR rate is not available on Telerate then such offered rate shall be otherwise independently determined by Lender from an alternate, substantially similar independent source or service available to Lender or shall be calculated by Lender by a substantially similar methodology as that theretofore used to determine such offered rate in Telerate

(d) THREE MONTH LONDON INTERBANK OFFERED RATE. A margin of 2.25 percentage points over the three month LONDON INTERBANK OFFERED RATE ("LIBOR"). For purposes of this Note, the three month LIBOR rate shall mean the three month offered rate for U.S. Dollar deposits of not less than \$1,000,000.00

as of 11:00 A.M. City of London, England time two London Business Days prior to the first date of each three month Interest Period (as defined below) of this Note as shown on the display designated as "British Bankers Assoc. Interest Settlement Rates" on the Dow Jones Telerate Service ("Telerate"), Page 3750 (or such other page as may replace that page on that service for the purpose of displaying such rate). Provided, however, that if such LIBOR rate is not available on Telerate then such offered rate shall be otherwise independently determined by Lender from an alternate, substantially similar independent source or service available to Lender or shall be calculated by Lender by a substantially similar methodology as that theretofore used to determine such offered rate in Telerate.

(e) SIX MONTH LONDON INTERBANK OFFERED RATE. A margin of 2.25 percentage points over the six month LONDON INTERBANK OFFERED RATE ("LIBOR"). For purposes of this Note, the six month LIBOR rate shall mean the six month offered rate for U.S. Dollar deposits of not less than \$1,000,000.00 as of 11:00 A.M. City of London, England time two London Business Days prior to the first date of each six month Interest Period (as defined below) of this Note as shown on the display designated as "British Bankers Assoc. Interest Settlement Rates" on the Dow Jones Telerate Service ("Telerate"), Page 3750 (or such other page as may replace that page on that service for the purpose of displaying such rate). Provided, however, that if such LIBOR rate is not available on Telerate then such offered rate shall be otherwise independently determined by Lender from an alternate, substantially similar independent source or service available to Lender or shall be calculated by Lender by a substantially similar methodology as that theretofore used to determine such offered rate in Telerate.

If used in this Note, "London Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions are generally authorized or obligated by law or executive order to close in the City of London, England.

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When the interest rate is based on a LIBOR rate, a Treasury Securities Rate or a Fixed Rate (an "Option Rate"), the rate shall be in effect for a period of the number of months as indicated in the rate option description (the "Interest Period"), in any case extended to the next succeeding business day when necessary, beginning on a borrowing date, conversion date or expiration date of the then current Interest Period. Adjustments in the interest rate due to changes in the maximum nonusurious interest rate allowed (the "Highest Lawful Rate") shall be made on the effective day of any change in the Highest Lawful Rate.

Provided Borrower is not in default under this Note, Borrower may designate in advance which of the above interest rate indexes shall be applicable to any loan advance under this Note. In the absence of any such designation the interest rate option shall be the Default Option. Thereafter unpaid principal balances under this Note may be converted (at the end of an Interest Period if the index used to determine the interest rate therefore is an Option Rate) to another of the above interest rate options, or continued for an additional interest period, when applicable, as designated by Borrower in advance; and in the absence of sufficient advance designation as determined by the Lender as to conversion to or continuation of an Option Rate index, the rate shall be converted to the Default Option. Notwithstanding the foregoing, an Option Rate index may not be elected for a loan or advance under this Note, nor any conversion to or continuation of an Option Rate index be elected, if the Interest Period thereof would extend beyond the maturity of this Note.

Each loan or advance under this Note at conversion into or continuation of an Option Rate shall be in a minimum amount of \$250,000.00. Unless otherwise provided herein, accrued interest on amounts for which the interest rate is based on a LIBOR rate or a Treasury Securities Rate shall be due and payable at the end of the respective Interest Period therefor.

Borrower shall pay to Lender from time to time such amounts as Lender may determine to be necessary to compensate Lender for any costs incurred by Lender which Lender determines are attributable to its making or maintaining any LIBOR rates hereunder or its obligation to make any such LIBOR rates hereunder, or any reduction in amount receivable by Lender under this Note in respect of any such rates or such obligation (such increases in costs and reductions in amounts receivable being herein called

"Additional Costs"), resulting from any change after the date of this Note in U.S. federal, state, municipal, or foreign laws or regulations (including Regulation D), or the adoption or making after such date of any interpretations, directives, or requirements applying to a class of banks including Lender or under any U.S. federal, state, municipal, or any foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof ("Regulatory Change"), which: (1) changes the basis of taxation of any amounts payable to Lender under this Note in respect of any such LIBOR rates (other than taxes imposed on the overall net income of the Lender); or (2) imposes or modifies any reserve, special deposit, compulsory loan, or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of Lender (including any of such

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LIBOR rates or any deposits referred to in the definition of any LIBOR rate); or (3) imposes any other condition affecting this Note (or any of such extensions of credit or liabilities). Lender will notify the Borrower of any event occurring after the date of this Note which will entitle Lender to compensation pursuant to this paragraph as promptly as practicable after it obtains knowledge thereof and determines to request such compensation. Determinations by Lender for purposes of this paragraph of the effect of any Regulatory change in its costs of making or maintaining LIBOR rates or on amounts receivable by it in respect of LIBOR rates, and of the additional amounts required to compensate Lender in respect of any Additional Costs, shall be presumed prima facie correct.

In respect of any LIBOR Loans, in the event that Lender shall have determined that dollar deposits of the relevant amount for the relevant Interest Period for such LIBOR Loans are not available or that, by reason of circumstances affecting such market, adequate and reasonable means do not exist for ascertaining the LIBOR rate applicable to such Interest Period, as the case may be, Lender shall promptly give notice of such determination to the Borrower and (i) any notice of new LIBOR Loans (or conversion of existing loans to LIBOR Loans) previously given by the Borrower and not yet borrowed (or converted, as the case may be) shall be deemed a notice to make loans bearing interest at the Default Option, and (ii) the Borrower shall be obligated either to prepay or to convert any outstanding LIBOR Loans on the last day of the then current Interest Period or Periods with respect thereto, as Borrower shall elect.

Without prejudice to any other provisions of this Note, the Borrower agrees to indemnify Lender against any loss or expense which Lender may sustain or incur as a consequence of any default by the Borrower in payment when due of any amount due hereunder in respect of any LIBOR Loan, including, but not limited to, any loss of profit, premium or penalty incurred by Lender in respect of funds borrowed by it for the purpose of making or maintaining such LIBOR Loan, as determined by Lender in the exercise of its sole but reasonable discretion. A certificate as to any such loss or expense shall be promptly submitted by Lender to the Borrower and shall, in the absence of manifest error, be conclusive and binding as to the amount thereof.

If at any time any new law, treaty or regulation enacted after the date hereof, or any change after the date hereof in any existing law, treaty or regulation, or any interpretation thereof after the date hereof by any governmental or other regulatory authority charged with the administration thereof, shall make it unlawful for Lender to fund any LIBOR Loans which it is committed to make hereunder with moneys obtained in the Eurodollar market, the commitment of Lender to fund LIBOR Loans shall, upon the happening of such event forthwith be suspended for the duration of such illegality, and Lender shall by written notice to the Borrower declare that the commitment with respect to such loans has been so suspended and, if and when such illegality ceases to exist, such suspension shall cease and Lender shall similarly notify the Borrower. If any such change shall make it unlawful for Lender to continue in effect the funding in the applicable Eurodollar market of any LIBOR Loan previously made by it hereunder, Lender shall, upon the happening of such event, notify the Borrower in writing stating the reasons therefor, and the Borrower shall, on the earlier of (i) the last day of the then current Interest Period or (ii) if required by such law, regulation or

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interpretation, on such date as shall be specified in such notice, either convert all LIBOR Loans to loans bearing interest at the Default Option or prepay all LIBOR Loans to Lender in full, as Borrower shall elect.

Lender may, but shall not be required to, make LIBOR Loans hereunder with funds obtained outside the United States.

- 2. The paragraph of the Note having the caption "PREPAYMENT" is hereby deleted in its entirety and the following paragraph is hereby substituted in lieu thereof:

PREPAYMENT. Borrower may prepay all or any portion of the principal balance outstanding on this Note which is accruing at the Default Option at any time without payment of premium or penalty. Borrower may not prepay all or any portion of the principal balance outstanding on this Note which is accruing interest based on a LIBOR rate without obtaining Lender's prior written consent, which Lender can grant or refuse to grant in its sole discretion. All permitted prepayments shall be applied to the indebtedness owing hereunder in such order and manner as Lender may from time to time determine.

- 3. The paragraph of the Note having the caption "LENDER'S RIGHTS" is hereby deleted in its entirety and the following paragraph is hereby substituted in lieu thereof:

LENDER'S RIGHTS. Upon default, Lender may, at its option, without further notice or demand (i) declare the entire unpaid principal balance on this Note, all accrued unpaid interest and all other costs and expenses for which Borrower is responsible under this Note and any other Related Document immediately due, (ii) refuse to advance any additional amounts under this Note, (iii) foreclose all liens securing payment hereof, (iv) pursue any other rights, remedies and recourses available to Lender, including without limitation, any such rights, remedies or recourses under the Related Documents, at law or in equity, or (v) pursue any combination of the foregoing. Upon default, including failure to pay upon final maturity, Lender, at its option, may also, if permitted by applicable law, do one or both of the following: (a) accrue interest on this Note at the Default Option and increase the variable interest rate on this Note to 3.00 percentage points over the Default Option, and (b) add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in this Note (including any increased rate). The interest rate will not exceed the maximum rate permitted by applicable law. This Note has been delivered to Lender and is performable in Ohio. Courts within the State of Ohio have jurisdiction over any dispute arising under or pertaining to this Note and venue for such dispute shall be in Franklin County, Ohio. THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OHIO AND APPLICABLE FEDERAL LAWS.

- 4. Except as expressly modified by this Addendum, all of the terms and conditions of the Note continue unchanged and in full force and effect.
- 5. The paragraph of the Note having the caption "CONFESSION OF JUDGMENT" is hereby ratified and confirmed.

Dated with effect as of the date of the Note.

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WARNING - BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.
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Neoprobe Corporation
By: /s/ Brent L. Larson

Its: Vice President, Finance

COVENANT AGREEMENT

THIS IS AN AGREEMENT (the "Agreement") dated as of September 25, 1998, by Bank One, NA (Lender); and Neoprobe Corporation (individually, collectively and interchangeably, "Borrower").

RECITALS

Lender has extended or is extending one or more loans to Borrower (individually, collectively and interchangeably, and including any renewals, extensions or modifications thereof, the "Loan") evidenced by one or more promissory notes (individually, collectively and interchangeably, and including any renewals, extensions or modifications thereof, the "Note") as follows:

Date of Note	Principal Amount of Note
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September 25, 1998	\$1,000,000.00

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

RECITALS. The above Recitals are incorporated by reference into the body of this Agreement as if they were repeated verbatim herein.

FINANCIAL INFORMATION. Borrower covenants and agrees with Lender that, while this Agreement is in effect, Borrower shall:

QUARTERLY STATEMENTS. As soon as available, and in no event later than forty-five (45) days after the end of each fiscal quarter of Borrower, furnish to Lender Borrower's financial statements for the period ended, including a balance sheet and income statement, prepared and certified as correct (subject to year-end review adjustments), to the best knowledge and belief, by Borrower's chief financial officer or other person reasonably acceptable to Lender. All such statements shall be prepared in accordance with generally accepted accounting principles or such other accounting principles acceptable to Lender in its sole discretion.

ANNUAL STATEMENTS. As soon as available, and in no event later than one hundred twenty [120] days after the end of each fiscal year of Borrower, furnish to Lender Borrower's annual financial statements for the year ended, including a balance sheet, income statement and statement of cash flows, such financial statements to be reviewed by certified public accountants reasonably acceptable to Lender. All such statements shall be prepared in accordance with generally accepted accounting principles or such other accounting principles acceptable to Lender in its sole discretion.

ADDITIONAL INFORMATION. Furnish Lender with such additional information, statements and reports with respect to Borrower's financial condition and business operations as Lender may request from time to time.

LETTER(S) OF CREDIT; FURTHER RESTRICTIONS ON ADVANCES UNDER THE NOTE. Borrower may request that Lender issue a letter or letters of credit in an aggregate undrawn amount of the Note (the "Letters of Credit") from time to time for the benefit of Borrower (the "Letters of Credit Commitment"). The letters of Credit Commitment shall be available to the Borrower subject to the limitations herein, in whole or in part and from time to time until July 30, 1999; provided that the maturity of any Letters of Credit shall not be greater than one year from the date of issuance nor later than August 31, 1999. Prior to the issuance of any Letter of Credit, Borrower agrees to execute and deliver to Lender such standard application and/or reimbursement agreement in use by lender at that time (each a "Letter of Credit Agreement"). Borrower agrees that, at the

sole discretion of Lender, whenever amounts become due to Lender from Borrower for reimbursement under a Letter of Credit Agreement, Lender may (but shall not be obligated to) treat such event as a request for an advance under this note and directly apply the proceeds of such advance to the payment of the then outstanding reimbursement obligations of Borrower under the Letter of Credit Agreement. The Letter of Credit Agreement with respect to the issuance of any letter of Credit pursuant to this Note shall provide, among other things, for the payment to Lender by Borrower of an annual commission of one percent [1.00%] per annum, based on a 360 day year basis and subject to a minimum of Two Hundred Dollars [\$200.00] per annum.

REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date of each request for an advance or disbursement of Loan proceeds, as of the date of any renewal, extension or modification of any Loan, and at all times any indebtedness exists thereunder, or any commitment or obligation to make any Loan exists hereafter: (a) Borrower, if not an individual, is an entity duly organized and validly existing under the laws of Delaware. (b) The execution, delivery and performance of this Agreement and all other Related Documents (as defined in the Note) to which Borrower is a party have been duly authorized by all necessary action, require no further consent of any person, regulatory authority or governmental body, and do not conflict with, result in a violation of, or constitute a default under any agreement binding upon Borrower, or any law, regulation or court decree or order applicable to Borrower. (c) This Agreement and all other Related Documents to which Borrower is a party constitute legal, valid and binding obligations of Borrower enforceable in accordance with their respective terms.

TERM. This Agreement shall be effective until the Loan has been paid in full and Lender has no commitments or obligations to make or allow advances or draws under the Loan.

DEFAULT. Failure of Borrower to abide by any of the terms, conditions, covenants or provisions of this Agreement shall, in addition to all other defaults or events of default, be a default or an event of default under the Note.

MISCELLANEOUS PROVISIONS.

GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of Ohio, without giving effect to conflict of laws rules.

ENTIRE AGREEMENT; BINDING EFFECT. This Agreement, together with the Note and all Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth herein, and shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.

AMENDMENT. No alteration, amendment, rescission, supplementation, modification or waiver of this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound thereby.

TIME. Time is of the essence in the performance of this Agreement.

WAIVER. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, or any course of dealing between Lender and Borrower, or between Lender and any party to any other Related Document, shall constitute a waiver of any of Lender's rights or of any obligations of Borrower

or such other party as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent in subsequent instances where such consent is required, and in all cases such consent may be granted or withheld in the sole discretion of Lender.

HEADINGS. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

COSTS AND EXPENSES. Borrower agrees to pay upon demand all of Lender's expenses, including attorneys' fees, incurred in connection with the preparation, execution, enforcement, modification and collection of this Agreement or in connection with the Loan made pursuant to this Agreement. Lender may hire one or more attorneys to help collect the Loan if Borrower does not pay, and Borrower will pay Lender's reasonable attorneys' fees.

SEVERABILITY. If a court of competent jurisdiction finds any provision of this Agreement to be invalid or unenforceable as to any person or circumstance, such finding shall not render that provision invalid or unenforceable as to any other person or circumstance. If feasible, any such offending provision shall be deemed to be modified to be within the limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken and all other provisions of this Agreement in all other respects shall remain valid and enforceable.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above, but actually on the dates set forth below.

BORROWER: Neoprobe Corporation

By: /s/ Brent L. Larson

Title: Vice President, Finance

Date: 9/28/98

LENDER: BANK ONE, NA

By: /s/ David T. Clark

Title: Vice President

Date: 9/28/98

addition, the word "Indebtedness" includes all other obligations, debts and liabilities, plus any accrued interest thereon, owing by Grantor, or any one or more of them, to Lender of any kind or character, now existing of hereafter arising, as well as all present and future claims by Lender against Grantor, or any one or more of them, and all renewals, extensions, modifications, substitutions and rearrangements of any of the foregoing; whether such Indebtedness arises by note, draft, acceptance, guaranty, endorsement, letter of credit, assignment, overdraft, indemnity agreement or otherwise; whether such Indebtedness is voluntary or involuntary, due or not due, direct or indirect, absolute or contingent, liquidated or unliquidated; whether Grantor may be liable individually or jointly with others; whether Grantor may be liable primarily or secondarily or as debtor, maker, comaker, drawer, endorser, guarantor, surety, accommodation party or otherwise.

LENDER. The word "Lender" means Bank One, NA, its successors and assigns.

NOTE. The word "Note" means the promissory note dated September 25, 1998, in the principal amount of \$1,000,000.00 from NEOPROBE CORPORATION to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of and substitutions for such promissory note.

RELATED DOCUMENTS. The words "Related Documents" mean and include without limitation the Note and all credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Note.

GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL. With respect to the Collateral, Grantor represents and warrants to Lender that:

OWNERSHIP. Grantor is the lawful owner of the Collateral free and clear of all loans, liens, encumbrances, and claims except as disclosed to and accepted by Lender in writing.

RIGHT TO GRANT ASSIGNMENT AND SECURITY INTEREST. Grantor has the full right, power, and authority to enter into this Agreement and to assign and grant a security interest in the Collateral to Lender.

NO FURTHER TRANSFER. Grantor shall have no right to withdraw, possess or control the Collateral or any funds in the Account and agrees not to sell, assign, encumber, or otherwise dispose of any of Grantor's rights in the Collateral.

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Loan No. (Continued)

NO DEFAULTS. There are no defaults relating to the Collateral, and there are no offsets or counterclaims to the same. Grantor will strictly and promptly do everything required of Grantor under the terms, conditions, promises, and agreements contained in or relating to the Collateral.

PROCEEDS. Any and all replacement or renewal certificates, instruments, or other benefits or proceeds related to the Collateral that are received by Grantor shall be held by Grantor in trust for Lender and immediately shall be delivered by Grantor to Lender to be held as part of the Collateral.

SOLVENCY. Grantor further represents and warrants that, as of the date hereof, and after giving effect to this Agreement and the completion of all other transactions contemplated by Grantor at the time of the execution of this Agreement, (i) Grantor is and will be solvent, (ii) the fair saleable value of Grantor's assets exceeds and will continue to exceed Grantor's liabilities (both fixed and contingent), (iii) Grantor is paying and will continue to pay Grantor's debts as they mature, and (iv) if Grantor is not an individual, Grantor has and will have sufficient capital to carry on Grantor's businesses and all businesses in which Grantor is about to engage.

LIEN NOT RELEASED. The lien, security interest and other security rights of Lender hereunder shall not be impaired by any indulgence, moratorium or release granted by Lender, including but not limited to, the following: (a) any renewal, extension, increase or modification of any of the Indebtedness; (b) any surrender, compromise, release, renewal, extension, exchange or substitution granted in respect of any of the Collateral; (c) any release or

indulgence granted to any endorser, guarantor or surety of any of the Indebtedness; (d) any release of any other collateral for any of the Indebtedness; (e) any acquisition of any additional collateral for any of the Indebtedness; and (f) any waiver or failure to exercise any right, power or remedy granted herein, by law or in any of the Related Documents.

LENDER'S RIGHTS AND OBLIGATIONS WITH RESPECT TO THE COLLATERAL. While this Agreement is in effect, Lender shall retain the rights to possession of the Collateral, together with any and all evidence of the Collateral, such as certificates or passbooks. Lender shall use ordinary reasonable care in the physical preservation and custody of any certificate or passbook for the Collateral but shall have no other obligation to protect the Collateral or its value. This Agreement will remain in effect until all of the following have been satisfied: (a) there no longer is any Indebtedness owing to Lender; (b) all other obligations and commitments secured by this Agreement have been fulfilled, expired or terminated; and (c) Lender's receipt of a written request from Grantor for the termination hereof.

EVENTS OF DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

DEFAULT ON INDEBTEDNESS. Failure of Grantor to make any payment when due on the Indebtedness.

OTHER DEFAULTS. Failure of Grantor to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement, the Note, any of the other Related Documents or in any other agreement now existing or hereafter arising between Lender and Grantor.

DEFAULT IN FAVOR OF THIRD PARTIES. Should Borrower or any Grantor default under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's or any Grantor's ability to repay the Loans or perform their respective obligations under this Agreement or any of the Related Documents.

FALSE STATEMENTS. Any warranty, representation or statement made or furnished to Lender under this Agreement, the Note or any of the other Related Documents is false or misleading in any material respect.

DEFAULT TO THIRD PARTY. The occurrence of any event which permits the acceleration of the maturity of any indebtedness owing by Grantor or any Guarantor to any third party under any agreement or undertaking.

BANKRUPTCY OR INSOLVENCY. If the Grantor or any Guarantor: (i) becomes insolvent, or makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due; (ii) generally is not paying its debts as such debts become due; (iii) has a receiver, trustee or custodian appointed for, or take possession of, all or substantially all of the assets of such party or any of the Collateral, either in a proceeding brought by such party or in a proceeding brought against such party and such appointment is not discharged or such possession is not terminated within sixty (60) days after the effective date thereof or such party consents to or acquiesces in such appointment or possession; (iv) files a petition for relief under the United States Bankruptcy Code or any other present or future federal or state insolvency, bankruptcy or similar laws (all of the foregoing hereinafter collectively called "APPLICABLE BANKRUPTCY LAW") or an involuntary petition for relief is filed against such party under any Applicable Bankruptcy Law and such involuntary petition is not dismissed within sixty (60) days after the filing thereof, or an order for relief naming such party is entered under any Applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is requested or consented to by such party; (v) fails to have discharged within a period of sixty (60) days any attachment, sequestration or similar writ levied upon any property of such party; or (vi) fails to pay within thirty (30) days any final money judgment against such party.

LIQUIDATION, DEATH AND RELATED EVENTS. If Grantor or any Guarantor is an entity, the liquidation, dissolution, merger or consolidation of any such entity or, if any of such parties is an individual, the death or legal incapacity of any such individual.

CREDITOR OR FORFEITURE PROCEEDINGS. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against the Collateral or any other collateral securing the Indebtedness.

INSECURITY. Lender deems itself insecure by in good faith believing the prospect of payment or performance hereunder or under any of the Related Documents is impaired.

RIGHTS AND REMEDIES ON DEFAULT. Upon the occurrence of an Event of Default, or at any time thereafter, Lender may exercise any one or more of the following rights and remedies, in addition to any rights or remedies that may be available at law, in equity, or otherwise:

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Loan No. (Continued)

ACCELERATE INDEBTEDNESS. Lender may declare all Indebtedness of Grantor to Lender immediately due and payable, without notice of any kind to Grantor.

APPLICATION OF ACCOUNT PROCEEDS. Lender may, without notice to Grantor, withdraw the funds in the Account (or, if the Account was not issued by Lender, obtain all funds in the Account from the issuer of the Account) and apply them to the Indebtedness in such manner as Lender shall at its discretion determine in accordance with applicable law. If the Account is subject to an early withdrawal penalty, that penalty may be deducted from the Account before its application to the Indebtedness, whether the Account is with Lender or some other institution. Any excess funds remaining after application of the Account proceeds to the Indebtedness will be paid to Grantor as the interest of Grantor may appear. Lender also shall have all the rights of a secured party under the Code, even if the account is not otherwise subject to the Code concerning security interests.

DEFICIENCY JUDGMENT. If permitted by applicable law, Lender may obtain a judgment for any deficiency remaining in the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this section.

CUMULATIVE REMEDIES. All of Lender's rights and remedies, whether evidenced by this Agreement or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and to exercise its remedies. Grantor waves any right to require Lender to proceed against any third party, exhaust any other security for the Indebtedness or pursue any other right or remedy available to Lender.

MISCELLANEOUS PROVISIONS.

AMENDMENTS. This Agreement, together with all Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement and supercedes all prior written and oral agreements and understandings, if any, regarding same. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

APPLICABLE LAW. This Assignment has been delivered to Lender and accepted by Lender in the State of Ohio. Subject to the provisions on arbitration in any Related Document, this Assignment shall be governed by and construed in accordance with the laws of the State of Ohio without regard to any conflict of laws or provisions thereof.

JURY WAIVER. THE UNDERSIGNED AND LENDER (BY ITS ACCEPTANCE HEREOF) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) BETWEEN OR AMONG THE UNDERSIGNED AND LENDER ARISING OUT OF OR IN ANY WAY RELATED TO THIS DOCUMENT OR ANY OTHER RELATED DOCUMENT. THIS PROVISION IS A MATERIAL INDUCEMENT TO LENDER TO PROVIDE THE

FINANCING DESCRIBED HEREIN OR IN THE OTHER RELATED DOCUMENTS.

ATTORNEYS' FEES; EXPENSES. Grantor will upon demand pay to Lender the amount of any and all costs and expenses (including without limitation, reasonable attorneys' fees and expenses) which Lender may incur in connection with (i) the perfection and preservation of the collateral assignment and security interests created under this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, the Collateral, (iii) the exercise or enforcement of any of the rights of Lender under this Agreement, or (iv) the failure by Grantor to perform or observe any of the provisions hereof.

INDEMNITY. Grantor hereby agrees to indemnify, defend and hold harmless Lender, and its officers, directors, shareholders, employees, agents and representatives (each an "INDEMNIFIED PERSON") from and against any and all liabilities, obligations, claims, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature (collectively, the "CLAIMS") which may be imposed on, incurred by or asserted against, any Indemnified Person (whether or not caused by any Indemnified Person's sole, concurrent or contributory negligence) arising in connection with the Related Documents, the Indebtedness or the Collateral (including, without limitation, the enforcement of the Related Documents, and the defense of any Indemnified Person's action and/or inactions in connection with the Related Documents), except to the limited extent that the Claims against the Indemnified Person are proximately caused by such Indemnified Person's gross negligence or willful misconduct. The indemnification provided for in this Section shall survive the termination of this Agreement and shall extend and continue to benefit each individual or entity who is or has at any time been an Indemnified Person hereunder.

NOTICES. All notices required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered or when deposited with a nationally recognized overnight courier or deposited in the United States mail, first class, postage prepaid, addressed to the party to whom the notice is to be given at the address shown above. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. To the extent permitted by applicable law, if there is more than one Grantor, notice to any Grantor will constitute notice to all Grantors. For notice purposes, Grantor will keep Lender informed at all times of Grantor's current address(es).

POWER OF ATTORNEY. Grantor hereby irrevocably appoints Lender as its true and lawful attorney-in-fact, such power of attorney being coupled with an interest, with full power of substitution to do the following in the place and stead of Grantor and in the name of Grantor: (a) to demand, collect, receive, receipt for, sue and recover all sums of money or other property which may now or hereafter become due, owing or payable from the Collateral; (b) to execute, sign and endorse any and all claims, instruments, receipts, checks, drafts or warrants issued in payment for the Collateral; (c) to settle or compromise any and all claims arising under the Collateral, and, in the place and stead of Grantor, to execute and deliver its release and settlement for the claim; (d) to file any claim or claims or to take any action or institute or take part in any proceedings, either in its own name or in the name of Grantor, or otherwise, which in the discretion of Lender may seem to be necessary or advisable; (e) transfer the Account into the name of Lender or its nominee; and (f) take any other action which Lender may deem necessary or appropriate to protect and preserve the rights,

title and interest of Lender hereunder. This power is given as security for the Indebtedness, and the authority hereby conferred is and shall be irrevocable and shall remain in full force and effect until renounced by Lender.

SEVERABILITY. If a court of competent jurisdiction finds any provision of this Agreement to be invalid or unenforceable as to any person or circumstance, such finding shall not render that provision invalid or unenforceable as to any other persons or circumstances. If feasible, any such offending provision shall be deemed to be modified to be within the

limits of enforceability or validity; however, if the offending provision cannot be so modified, it shall be stricken and all other provisions of this Agreement in all other respects shall remain valid and enforceable.

SUCCESSOR INTERESTS. Subject to the limitations set forth above on transfer of the Collateral, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns; provided, however, Grantor's rights and obligations hereunder may not be assigned or otherwise transferred without the prior written consent of Lender.

WAIVER. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right to thereafter demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS ASSIGNMENT OF DEPOSIT ACCOUNT AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED SEPTEMBER 25, 1998.

GRANTOR:

NEOPROBE CORPORATION

By: /s/ Brent L. Larson

AUTHORIZED SIGNER



ASSET PURCHASE AGREEMENT

THIS AGREEMENT is made

by and between

NEOPROBE EUROPE AKTIEBOLAG, reg. no 556440-1510, a corporation organized and existing under the laws of Sweden, whose registered office is at Solvegatan 41, SE-223 70 LUND (the "Seller"),

and

BIOINVENT PRODUCTION AKTIEBOLAG, reg. no 556230-7537, a corporation organized and existing under the laws of Sweden, whose registered office is at Solvegatan 41, SE-223 70 LUND (the "Purchaser"),

WHEREAS, the Seller desires to sell to the Purchaser and the Purchaser desires to acquire from the Seller certain assets owned by the Seller relating to the business of the Seller;

NOW, therefore, the parties, intending to be legally bound hereby agree as follows:

1. SALE AND PURCHASE

1.1 The Seller hereby sells and assigns to the Purchaser and the Purchaser hereby purchases and assumes the assets related to the business of the Seller as specified below (the "Assets");

- (i) all the Seller's rights and obligations as of October 1st, 1998, in respect of the lease concerning the facilities of the Seller (the "Facilities") annexed hereto as Schedule 1 (the "Lease"), which has been validly assigned in accordance with its terms and applicable law;
- (ii) the machinery and equipment listed in Schedule 2 hereto (the "Machinery");
- (iii) the inventory listed in Schedule 3 hereto (the "Inventory");
and
- (iv) lists and books, records and other documentation and information related to the Machinery and Inventory, including validation and operational documents for use of the Machinery, set forth in Schedule 4 (the "Books").

1.2 By entering into this Agreement, the Buyer does not acquire or assume any assets, claims, debts or liabilities of the Seller other than expressly set out in this Agreement.

1.3 The Seller shall upon both parties signature to this Agreement, deliver to the Purchaser any and all keys, keycards and similar to the Facilities in the Seller's possession and the Seller, including its officers and employees, shall not be entitled to keep any copies thereof.

2. PURCHASE PRICE

2.1 The total purchase price for the Assets shall be SEK 1.000.000 (the "Purchase Price"), which shall be paid in full by the Purchaser within three (3) business days after this Agreement has been signed by both parties (the "Closing Date").

2.2 On Closing Date, the Purchase Price shall be paid in full in immediately available funds to the Seller's bank account no 6759 887 233 708 with Svenska Handelsbanken.

2.3 In the event that the Swedish tax authorities should determine that value added tax is chargeable on the sale of the Assets or on any part

of the Assets, the Purchaser agrees that such value added tax shall be in addition to the sum specified in article 2.1 and that it shall pay the amount of any such valued added tax.

3. CONTRACTS

- 3.1 The Lease shall prior to the Purchasers signing of this Agreement be validly assigned by the Seller to the Purchaser with effect from October 1st 1998. Rent due under the Lease prior to October 1st 1998 shall be paid and borne by the Seller and from and including October 1st 1998, by the Purchaser.
- 3.2 The Seller warrants to the Purchaser (i) that the Lease is validly assigned to the Purchaser, (ii) that the Lease is valid and that the Lease is the full agreement with the lessor and no side-agreements exist that alters the Lease in any respect, and (iii) that the Seller has or will fulfill all of its obligations and liabilities under the Lease up to October 1st, 1998. The liabilities of the Seller shall i.a. include any claims for damages which may be raised by the landlord under the Lease pursuant to the inspection of the Facilities to be carried out prior to the assignment of the Lease hereunder.
- 3.3 The Seller shall, effective as of October 16, 1998, terminate any and all contracts relating to the Facilities (save for the Lease), such as service agreements, heating, water, etc., which facilities are not included in the Lease, unless the Parties prior to said date have agreed otherwise. Any and all costs for such agreements relating to the Facilities shall be paid and borne by the Seller.

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4. ASSETS

- 4.1 The ownership, title, right to and risk in the Machinery, the Inventory and the Books shall pass to the Purchaser as of the Closing Date. The Purchaser shall, however, as of signing, have unlimited access thereto and the Seller undertakes not to dispose of the Machinery, the Inventory or the Books in any way, without the prior written consent of the Purchaser.
- 4.2 The Seller warrants that it has good and marketable title to all Machinery and Inventory, in each case free and clear of any mortgage, pledge, lease, lien, encumbrance, charge or title retention or other security arrangements.
- 4.3 The Machinery and Inventory are sold and transferred "as is." However, the Seller warrants to the Purchaser that the Machinery, up to and including this day, has been kept and is maintained in accordance with all relevant laws, regulations and operational instructions applicable to the Machinery.
- 4.4 The sale and transfer of Machinery shall include the rights of the Seller under any pending product warranty in favor of the Seller.
- 4.5 The Seller warrants that there is no pending action, litigation or claim relating to the Assets.

5. EMPLOYEES

- 5.1 The Parties agree that the limited transfer of Assets under this Agreement, shall not be considered as constituting a transfer of business within the meaning of the Employment Security Act (Sw. Lag (1982:80) om anst<W064>llningsskydd). Thus, there shall be no obligation of the Purchaser to assume any responsibilities of whatever nature against the employees of the Seller.
- 5.2 The Seller warrants that no claims will be raised against the Purchaser by any other former or current employee of the Seller, or their representatives and organizations, related to, i.a. right to employment, right to re-instatement, salaries, vacation and vacation pay, insurance, bonuses, pensions, options, deferred compensation, retirement payments, profit sharing or any other benefits and compensations or for damages related to their employment with the Seller.

6. AUTHORIZATION

The Parties hereby warrants to the other respectively, that

(i) the Party has all corporate power and authority to enter into this Agreement and to perform the transactions contemplated hereunder; and

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(ii) the Party is not prohibited or restrained by its Articles of Association, or by any other agreements to which it is a party from entering into this Agreement and consummating the transactions contemplated herein, and the Agreement and such transactions have been duly authorized by all necessary corporation actions.

7. REMEDIES, ETC.

7.1. In event of breach of the warranties given under this Agreement, the Party in breach shall compensate the other Party in full for any deficiency or cost relating to such breach. However, the liability of each Party hereunder shall be limited to an amount equal to the Purchase Price. The remedy provided in this article 7.1 shall be exclusive.

7.2 The liability of Seller under this Section 7 shall remain valid for a period of twelve (12) months following Closing Date. No claim shall be brought by either Party against the other in respect of any breach of the Warranties, unless notice in writing of any such claim, specifying the nature of the breach and the approximate amount claimed in good faith in respect thereof, has been given to the other Party as soon as possible and not later than sixty (60) days after the Party became aware of any circumstance giving rise to a claim.

8. INSURANCE

The Seller represents that it, up to and including October 16, 1998, will for the benefit of the Purchaser maintain in full force and effect adequate insurances to cover the full value of the Assets. Should an insured event occur on or before October 16, 1998, the Seller shall, against the Purchaser paying the Purchase Price, assign to the Purchaser any and all insurance amounts due under the applicable insurance.

9. ADDITIONAL COVENANTS

9.1 It is agreed that the Seller until October 16, 1998, during normal business hours, shall be entitled to freely access agreed parts of the Facilities in order to make the necessary arrangements to finalize its business. During such visits, representatives of Seller shall act with due and proper care.

9.2 It is further agreed that the Purchaser shall allow an employee of the Seller (an accountant) to have use of such office space as reasonably required until the Seller can close the financial accounting year and complete its financial reporting requirements under Swedish law, however, not for a period of time extending the month of December 1998. The Purchaser agrees that the Seller and its successors-in-title may store Seller's financial and regulatory records at the Facilities for the earlier of (i) the period of time the Purchaser occupies the Facilities; or (ii) for the retention period required by law for such records.

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9.3 It is further agreed that the Seller and its successors-in-title upon request, on its own expense, during normal business hours shall be entitled to access and make photocopies of such product documentation as validation data, SOPs, etc., included in the Books which refers to any products of the Neoprobe group of companies which have been processed by any of the Machinery.

9.4 The Purchaser agrees that, for a period of 24 months following the

Closing Date, the Seller and its successors-in-title may leave the cell banks currently located in the Facilities (the "Cell Banks" which are to be listed jointly by the parties), and that the Purchaser will maintain the Cell Banks and conduct periodic stability testing in accordance with the established SOPs at no cost to Seller or its successors-in-title. The SOPs are to be provided to the Purchaser by Seller free of charge. If requested by the Seller or its successors-in-title, upon expiration of the 24-month period, the parties agree to negotiate in good faith continued maintenance and testing by the Purchaser on the Cell Banks, and the conditions herefore.

- 9.5 The Purchaser further agrees that, for a period of 24 months following the Closing Date, the Seller shall have the right to leave the vialled monoclonal antibody samples (the "Monoclonal Samples" which are to be listed jointly by the parties), currently located in the Facilities and that the Purchaser will maintain the Monoclonal Samples at no cost to the Seller or its successors-in-title. If requested by the Seller or its successors-in-title, upon expiration of the 24-month period, the parties agree to negotiate in good faith continued maintenance by the Purchaser on the Monoclonal Samples, and the conditions herefore.
- 9.6 Save for the equipment referred to in article 9.7 below, the Seller undertakes to remove any and all property kept in the Facilities which is not subject to the transfer under this Agreement, on or before October 16, 1998.
- 9.7 The Purchaser undertakes to dismount the filling machine and the isolator set forth in Schedule 5 (the "Equipment"), and keep it available for collection by the Seller upon 14 days prior written notice from the Seller. Solely provided that Seller has given notice pursuant hereto, Seller undertakes to collect the dismantled Equipment within seven (7) days after the Purchaser gives notice to Seller that the Equipment is ready for removal. The Seller shall in no event collect the Equipment later than on December 30, 1998. The dismantling shall take place with due and proper care, but otherwise in a way that the Purchaser finds convenient.
- 9.8 The duties of the Purchaser under the articles 9.2, 9.4-9.5 and 9.7 above shall be exercised by the Purchaser using due and proper care. However, there shall be no liability of the Purchaser for loss or damage to the property or similar, unless caused by negligence on behalf of the Purchaser. The Seller or its successors-in-title shall at all times maintain the appropriate and adequate insurances for the property of the Seller, held by the Purchaser.

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10. CONFIDENTIALITY

- 10.1 The Seller undertakes not to disclose to any third party any information regarding the Assets that is not already in the public domain.
- 10.2 The Seller hereby waives all its rights under the Proprietary Information Disclosure Agreement signed by and between the Parties on September 4th, 1998.
- 10.3 The Purchaser undertakes not to disclose to any third party or to use for its own purposes any information regarding the Cell Banks, the SOP or the Monoclonal Samples that is not already in the public domain or previously known by Purchaser through its own operations.

11. NOTICES

All notices, consents and other communications required or permitted under this Agreement shall be made in writing and be deemed to have been duly given by the Parties if addressed and delivered by confirmed fax or registered mail to the addresses or fax numbers set forth below (or to such other addresses or fax numbers as may be given by written notice in accordance with this Section 11).

If to the Seller: Neoprobe Europe AB
c/o Neoprobe Corp.

Attention: David C. Bupp
425 Metro Place North, Suite 300
Dublin, Ohio 43017
USA
Fax no: +1 (614) 793 7520

If to the Purchaser: BioInvent Production AB
Attention: President
SE-223 70 LUND
Sweden
Fax no. +46 46 211 08 06

12. GOVERNING LAW AND ARBITRATION

12.1 This Agreement shall be construed in accordance with and governed by the laws of Sweden.

12.2 Any dispute, controversy or claim arising out of, or in connection with, the Agreement or from agreements resulting thereof shall be exclusively settled by arbitration in accordance with the Rules of Expedited Arbitration of the Stockholm Chamber of Commerce. The arbitration shall take place in Malmo and be conducted in the English language.

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The parties hereto here cause this Agreement to be duly executed in two copies by their respective authorized officers as of the respective dates set forth below.

Date: October 9, 1998

Date: October 14, 1998

Place: Dublin, Ohio

Place: Lund

NEORPOBE EUROPE AB

BIOINVENT PRODUCTION AB

/s/ David C. Bupp

/s/ Sven Mathiesen

David C. Bupp
Chairman of the Board of Directors

Sven Mathiesen
Chairman of the Board of Directors

/s/ Matt Bowman

/s/ Roland Carlsson

Matt Bowman
Director

Roland Carlsson
Director

We hereby jointly and severally with Neoprobe Europe AB, guarantee the due fulfillment of any and all liabilities of Neoprobe Europe AB under this Agreement, including but not limited to any liabilities arising under the warranties given by Neoprobe Europe AB hereunder.

Sections 11 and 12 shall apply also to the above guarantee.

Place: Dublin, Ohio

Date: October 9, 1998

NEOPROBE CORP.

/s/ David C. Bupp

David C. Bupp

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Exhibit 11.1

<TABLE>

NEOPROBE CORPORATION AND SUBSIDIARIES
COMPUTATION OF NET LOSS PER SHARE

<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1997	1998	1997	1998
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Net Loss	\$ (5,412,776)	\$ (5,604,963)	\$ (17,373,909)	\$ (17,929,631)
Weighted average number of shares outstanding:				
Common shares outstanding beginning of period	22,758,725	22,840,017	22,586,527	22,763,430
Weighted average common shares issued during period	8,109	44,511	136,480	59,952
	-----	-----	-----	-----
Weighted average number of shares outstanding used in computing basic net loss per share	<u>22,766,834</u>	<u>22,884,528</u>	<u>22,723,007</u>	<u>22,823,382</u>
Weighted average number of shares used in computing diluted net loss per share	<u>22,766,834</u>	<u>22,884,528</u>	<u>22,723,007</u>	<u>22,823,382</u>
Earnings (Net Loss) Per Share:				
Basic	<u>\$ (0.24)</u>	<u>\$ (0.24)</u>	<u>\$ (0.76)</u>	<u>\$ (0.79)</u>
Diluted	<u>\$ (0.24)</u>	<u>\$ (0.24)</u>	<u>\$ (0.76)</u>	<u>\$ (0.79)</u>

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