

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB/A1

For the fiscal year ended: December 31, 1996 Commission file number: 0-26520

NEOPROBE CORPORATION

(Name of Small Business Issuer in Its Charter)

DELAWARE

31-1080091

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

425 Metro Place North, Suite 400, Dublin, Ohio 43017-1367

(Address of Principal Executive Offices) (Zip Code)

Issuer's Telephone Number, Including Area Code: (614) 793-7500

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, par value \$.001 per share

(Title of Class)

Rights to Purchase Series A Junior Participating Preferred Stock

(Title of Class)

This Amendment Number 1 is being filed by the Registrant in order to refile its financial statements with changes in the texts of Notes 7a, 9 and the last paragraph of 11b.

The financial statements attached hereto supersede the financial statements for the same fiscal periods attached to the Registrant's Form 10-KSB Annual Report for the fiscal year ended December 31, 1996 filed on March 31, 1997 and Form 8-K Current Report filed on March 14, 1997.

PART IV

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

(A) LIST OF EXHIBITS AND FINANCIAL STATEMENTS INCORPORATED BY REFERENCE

(3) ARTICLES OF INCORPORATION AND BY-LAWS

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 (the "June 1996 Form 8-K"); Commission File No. 0-26520).

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 June 1996 Form 8-K).

(4) INSTRUMENTS DEFINING THE RIGHTS OF HOLDERS, INCLUDING INDENTURES

- 4.1. See Articles FOUR, FIVE, SIX and SEVEN of the Restated Certificate of Incorporation of the Registrant (see Exhibit 3.1).
 - 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).
 - 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 to the registration statement on Form 8-A, Commission File No. 0-26520).
- (10) MATERIAL CONTRACTS (*indicates management contract or compensatory plan or arrangement).

10.1. 1.--10.1.18. Reserved

10.1.19. Form of Brokers' Warrants for the purchase of shares of Common Stock dated February 17, 1995 issued to officers of Sunrise Financial Corporation (incorporated by reference to Exhibit 10.1.19 to the Registrant's Annual Report on Form 10-KSB for the year ending December 31, 1994; Commission File No. 0-26520 (the "1994 Form 10-KSB")). This exhibit is one of six substantially identical instruments and is accompanied by a schedule identifying the other documents omitted and setting forth the material details in which such documents differ from the one that is filed therewith.

10.1.20. Reserved.

10.1.21. Participating Broker Agreement dated February 17, 1995 between Sunrise Securities Corp. and Registrant (incorporated by reference to Exhibit 10.1.21 to the 1994 Form 10-KSB).

10.1.22. Reserved.

10.1.23. Brokers' Warrants for the purchase of shares of Common Stock dated June 30, 1995 issued to officers of Sunrise Financial Corporation (incorporated by reference to Exhibit 10.1.23 to Registrant's Quarterly Report on Form 10-QSB for the quarter ending June 30, 1995; Commission No. 0-26520 (the "2nd Quarter 1995 Form 10-QSB")). This exhibit is one of six substantially identical instruments and is accompanied by a schedule identifying the other documents omitted and setting forth the material details in which such documents differ from the one that is filed therewith.

-36-

10.1.24. Participating Broker Agreement dated June 23, 1995 between Sunrise Securities Corp. and Registrant (incorporated by reference to Exhibit 10.1.24 to the 2nd Quarter 1995 Form 10-QSB).

10.1.25. Rights Agreement between the Registrant and Continental Stock Transfer & Trust Company dated as of July 18, 1995 (see Exhibit 4.3).

10.1.26. Participating Broker Agreement dated September 8, 1995 between Registrant and Sunrise Securities Corp. (incorporated by reference to Exhibit No. 1.3 to Amendment No. 1 to registration statement on Form S-3; No. 33-96440).

10.1.27. Convertible Debenture issued by Neoprobe (Israel) Ltd. on August 10, 1995 (incorporated by reference to Exhibit 10.1.27 to Registrant's Quarterly Report on Form 10-QSB

for the quarter ending September 30, 1995; Commission File No. 0-26520 (the "3rd Quarter 1995 Form 10-QSB"). This exhibit is one of three substantially identical instruments and is accompanied by a schedule identifying the other documents omitted and setting forth the material details in which such documents differ from the one that is filed therewith.

10.1.28. Letter agreement dated May 31, 1995 among Registrant, GKN Securities Corp., David Nussbaum, Roger Gladstone, Robert Gladstone and Ira Scott Greenspan (incorporated by reference to Exhibit 99.1 to Registrant's Current Report on Form 8-K dated May 31, 1995; Commission File No. 0-26520 (the "May 1995 Form 8-K")).

10.1.29. Form of Limited Recourse Promissory Note dated May 31, 1995 issued to Registrant (incorporated by reference to Exhibit 99.2 to the May 1995 Form 8-K). This exhibit is one of five substantially identical instruments and is accompanied by a schedule identifying the other documents omitted and setting forth the material details in which such documents differ from the one that is filed therewith.

10.1.30. Letter agreements dated March 13, 1995 and May 25, 1995 between Registrant and David Blech and D. Blech & Company Incorporated (incorporated by reference to Exhibit 99.3 to the May 1995 Form 8-K).

10.2.1.-- 10.2.14. Reserved.

10.2.15. Option Agreements between the Registrant and David C. Bupp (incorporated by reference to Exhibit 10.7 to the Registrant's registration statement on Form S-1; No. 33-51446 (the "Form S-1")).*

10.2.16.-- 10.2.17. Reserved.

10.2.18. Non-Qualified Stock Option Agreement dated May 3, 1993 between the Registrant and David C. Bupp (incorporated by reference to Exhibit 10.50 to the Registrant's Quarterly Report on Form 10--QSB for the quarterly period ended June 30, 1993; Commission File No. 0-26520 (the "2nd Quarter 1993 Form 10-QSB")).*

10.2.19.-- 10.2.20. Reserved.

10.2.21. Non-Qualified Stock Option Agreement dated May 3, 1993 between the Registrant and John L. Ridihalgh (incorporated by reference to Exhibit 10.53 to the 2nd Quarter 1993 Form 10-QSB).*

10.2.22. Reserved.

-37-

10.2.23. Non-Qualified Stock Option Agreement dated February 28, 1992 and amended and restated June 3, 1993 between the Registrant and David C. Bupp (incorporated by reference to Exhibit 99.5 to Registrant's report on Form 8-K dated January 21, 1994; Commission File No. 0-26520 (the "January 1994 Form 8-K")).*

10.2.24. Non-Qualified Stock Option Agreement dated July 1, 1990 and amended and restated June 3, 1993 between the Registrant and David C. Bupp (incorporated by reference to Exhibit 99.6 to the January 1994 Form 8-K).*

10.2.25. Non-Qualified Stock Option Agreement dated June 1, 1992 and amended and restated June 3, 1993 between the Registrant and John L. Ridihalgh (incorporated by reference to Exhibit 99.7 to the January 1994 Form 8-K).*

- 10.2.26. Amended and Restated Stock Option and Restricted Stock Purchase Plan dated March 3, 1994 (incorporated by reference to Exhibit 10.2.26 to Registrant's annual report on Form 10-KSB for the year ending December 31, 1993; Commission File No. 0-26520 (the "1993 Form 10-KSB")).*
- 10.2.27. Letter agreement dated February 16, 1995 from the Registrant to John L. Ridihalgh amending Employment Agreement between them dated July 1, 1993 (incorporated by reference to Exhibit 10.2.27 to the 1994 Form 10-KSB).*
- 10.2.28. Letter agreement dated February 16, 1995 from the Registrant to David C. Bupp amending Employment Agreement between them dated July 1, 1993 (incorporated by reference to Exhibit 10.2.28 to the 1994 Form 10-KSB).*
- 10.2.29. Non-Qualified Stock Option Agreement dated February 16, 1995 between the Registrant and John L. Ridihalgh (incorporated by reference to Exhibit 10.2.29 to the 1994 Form 10-KSB).*
- 10.2.30. Non-Qualified Stock Option Agreement dated February 16, 1995 between the Registrant and David C. Bupp (incorporated by reference to Exhibit 10.2.30 to the 1994 Form 10-KSB).*
- 10.2.31. Employment Agreement dated as of January 1, 1996 between the Registrant and John L. Ridihalgh (incorporated by reference to Exhibit 10.2.31 to the Registrant's Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 1996; Commission File No. 0-26520 (the "2nd Quarter 1996 Form 10-QSB")).*
- 10.2.32. Employment Agreement dated as of January 1, 1996 between the Registrant and David C. Bupp (incorporated by reference to Exhibit 10.2.32 to the 2nd Quarter 1996 Form 10-QSB).*
- 10.2.33. 1996 Stock Incentive Plan (incorporated by reference to Exhibit 10.2.33 to the 2nd Quarter 1996 Form 10-QSB).*
- 10.2.34. Restricted Stock Purchase Agreement dated June 5, 1996 between the Registrant and John L. Ridihalgh.* Previously Filed
- 10.2.35. Restricted Stock Purchase Agreement dated June 5, 1996 between the Registrant and David C. Bupp.* Previously Filed
- 10.2.36. Restricted Stock Purchase Agreement dated November 25, 1996 between the Registrant and Joseph R. Bianchine, as amended January 2, 1997.* Previously Filed
- 10.3.1. Technology Transfer Agreement dated July 29, 1992 between the Registrant and The Dow Chemical Corporation (incorporated by reference to Exhibit 10.10 to the Form S-1, confidential

-38-

portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).

10.3.2.--10.3.3. Reserved.

10.3.4. License Agreement dated August 15, 1992 between the Registrant and Enzon, Inc. and Amendment thereto dated August 19, 1992 (incorporated by reference to Exhibit 10.13 to the Form S--1).

10.3.5.--10.3.6. Reserved.

10.3.7. Research and Development Agreement dated July 23, 1985, among the Registrant, the Ohio State University and the Director of Development of the State of Ohio, acting on behalf of the State of Ohio (incorporated by reference to Exhibit 10.16 to the Form S-1, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).

10.3.8. Supplemental Agreement dated July 19, 1985 between the Registrant and The Ohio State University, acting on behalf of the State of Ohio (incorporated by reference to Exhibit 10.17 to the Form S-1, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).

10.3.9. Task Order Agreement for Sponsored Clinical Research dated May 15, 1992, between the Registrant and The Ohio State University Research Foundation (incorporated by reference to Exhibit 10.18 to the Form S-1, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).

10.3.10. License Agreement dated July 23, 1992 between the Registrant and The Ohio State University Research Foundation (incorporated by reference to Exhibit 10.19 to the Form S-1, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).

10.3.11. License Agreement dated July 23, 1992 between the Registrant and The Ohio State University Research Foundation (incorporated by reference to Exhibit 10.20 to the Form S-1, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).

10.3.12.--10.3.14. Reserved.

10.3.15. Option to License dated June 23, 1993 between the Registrant, Biomeasure, Incorporated and Kinerton Limited (incorporated by reference to Exhibit 10.54 to the 2nd Quarter 1993 Form 10-QSB).

10.3.16. Drug Manufacture Agreement dated April 6, 1993 between the Registrant and Nordion International Inc. (incorporated by reference to Exhibit 10.55 to the 2nd Quarter 1993 Form 10-QSB, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).

10.3.17. Sublicense Option Agreement dated May 15, 1993 between the Registrant and NeoRx Corporation (incorporated by reference to Exhibit 10.56 to the 2nd Quarter 1993 Form 10-QSB, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).

-39-

10.3.18. Amendment I to License Agreement dated October 18, 1993 between the Registrant and Enzon, Inc. (incorporated by reference to Exhibit 10.3.18 to Post-Effective Amendment No. 2 to the Form S-1).

10.3.19.--10.3.23. Reserved.

10.3.24. Amendment II to License Agreement dated March 11, 1994

between the Registrant and Enzon, Inc. (incorporated by reference to Exhibit 10.3.24 to Registrant's Quarterly Report on Form 10-QSB for the quarter ending March 31, 1994; Commission File No. 0-26520 (the "1st Quarter 1994 Form 10-QSB"))).

- 10.3.25. License Agreement (Imaging Products License) dated August 1, 1994 between the Registrant and Biomeasure, Incorporated (incorporated by reference to Exhibit 10.3.25 to registration statement on Form SB-2, No. 33-82278 (the "Form SB-2"), confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).
- 10.3.26. License Agreement (Surgery Products License) dated August 1, 1994 between the Registrant and Biomeasure, Incorporated (incorporated by reference to Exhibit 10.3.26 to the Form SB-2, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).
- 10.3.27. Supply Agreement dated August 1, 1994 between Registrant and Kinerton Limited (incorporated by reference to Exhibit 10.3.27 to the Form SB-2, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).
- 10.3.28. Reserved.
- 10.3.29. Manufacturing and Supply Agreement dated February 20, 1995 between the Registrant and Bio-Intermediar, B.V. (incorporated by reference to Exhibit 10.3.29 to the 1994 Form 10-KSB).
- 10.3.30. Facility Agreement dated July 17, 1995 among Registrant, Neoprobe (Israel) Ltd., and Rotem Industries, Ltd. (incorporated by reference to Exhibit 10.3.30 to the 3rd Quarter 1995 Form 10-QSB, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).
- 10.3.31. Cooperative Research and Development Agreement between Registrant and National Cancer Institute (incorporated by reference to Exhibit 10.3.31 to the 3rd Quarter 1995 Form 10-QSB).
- 10.3.32. First Amendment to Facility Agreement dated July 17, 1995 among Registrant, Neoprobe (Israel), Ltd. and Rotem Industries, Ltd (incorporated by reference to Exhibit 10.3.32 to the Registrant's Annual Report on Form 10-KSB for the year ending December 31, 1995; Commission File No. 0-26520 (the "1995 Form 10-KSB")).
- 10.3.33. Investment Agreement dated January 31, 1996 between the Registrant and XTL Biopharmaceuticals, Ltd. (incorporated by reference to Exhibit 10.3.33 to the Registrant's Quarterly Report on Form 10-QSB for the quarterly period ended March 31, 1996; Commission File No. 0-26520 (the "1st Quarter 1996 Form 10-QSB")).
- 10.3.34. \$1,500,000 5% Convertible Subordinated Debenture Due February 13, 1998 of XTL Biopharmaceuticals, Ltd. issued to Registrant on February 13, 1996 (incorporated by reference to Exhibit 10.3.34 to the 1st Quarter 1996 Form 10-QSB).
- 40-
- 10.3.35. Investors' Rights Agreement dated February 5, 1996 between Registrant and XTL Biopharmaceuticals, Ltd. (incorporated by reference to Exhibit 10.3.35 to the 1st Quarter 1996 Form 10-QSB).

- 10.3.36 Warrant to purchase Class A Common Shares of XTL Biopharmaceuticals, Ltd. issued to Registrant on February 13, 1996 (incorporated by reference to Exhibit 10.3.36 to the 1st Quarter 1996 Form 10-QSB).
- 10.3.37 Research and Development Agreement dated February 13, 1996 between Registrant and XTL Biopharmaceuticals, Ltd. (incorporated by reference to Exhibit 10.3.37 to the 1st Quarter 1996 Form 10-QSB, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).
- 10.3.38 Sublicense Agreement dated February 13, 1996 between Registrant and XTL Biopharmaceuticals, Ltd. (incorporated by reference to Exhibit 10.3.38 to the 1st Quarter 1996 Form 10-QSB, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).
- 10.3.39 Limited Liability Company Agreement dated February 22, 1996 between Registrant and Peptor Corp. (incorporated by reference to Exhibit 10.3.39 to the 1st Quarter 1996 Form 10-QSB).
- 10.3.40 Subscription and Option Agreement dated March 14, 1996 between Registrant and Cira Technologies Inc. (incorporated by reference to Exhibit 10.3.40 to the 1st Quarter 1996 Form 10-QSB)
- 10.3.41. Reserved.
- 10.3.42 Supply Agreement dated April 1, 1996 between Neoprobe-Peptor JV L.L.C. and Peptor Ltd. (incorporated by reference to Exhibit 10.3.42 to the 2nd Quarter 1996 Form 10-QSB, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).
- 10.3.43 Supply Agreement dated April 1, 1996 between Neoprobe-Peptor JV L.L.C. and Neoprobe (Israel) Ltd. (incorporated by reference to Exhibit 10.3.43 to the 2nd Quarter 1996 Form 10-QSB, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).
- 10.3.44 Technology Option Agreement dated as of March 14, 1996 between Cira Technologies, Inc. and Registrant (incorporated by reference to Exhibit 10.3.44 to the 2nd Quarter 1996 Form 10-QSB, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).
- 10.3.45 License dated May 1, 1996 between Registrant and The Dow Chemical Company (incorporated by reference to Exhibit 10.3.45 to the 2nd Quarter 1996 Form 10-QSB).
- 10.3.46 License Agreement dated May 1, 1996 between Registrant and The Dow Chemical Company (incorporated by reference to Exhibit 10.3.46 to the 2nd Quarter 1996 Form 10-QSB, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).
- 10.4.1.--10.4.15. Reserved.
- 10.4.16. Project Management Agreement dated May 17, 1995 between Neoprobe (Israel) Ltd. and BARAN Project Construction Ltd. (incorporated by reference to Exhibit 10.4.16 to the 2nd Quarter 1995 Form 10-QSB).
- 10.4.17. Strategic Marketing Agreement dated August 30, 1995

between Registrant and Damon Pharm Ltd. (incorporated by reference to Exhibit 10.4.17 to the 3rd Quarter 1995 Form 10-QSB, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).

10.4.18. Exclusive Distribution Agreement dated September 25, 1995 between Registrant and Syncor International Corporation (incorporated by reference to Exhibit 10.4.18 to the 3rd Quarter 1995 Form 10-QSB, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).

10.4.19. Exclusive Distribution Service Agreement dated November 30, 1995 between Registrant and Nordion Europe S.A. (incorporated by reference to Exhibit 10.4.19 to the 1995 Form 10-KSB, confidential portions of which were omitted and filed separately with the Commission subject to an order granting confidential treatment).

10.4.20. License and Distribution Agreement dated September 18, 1996 between Registrant and United States Surgical Corporation (incorporated by reference to Exhibit 10.4.20 to the Registrant's Quarterly Report on Form 10-QSB, as amended by amendment no. 1 on Form 10-QSB/A, for the quarter ended September 30, 1996; Commission File No. 0-26520, which was filed pursuant to Rule 24b-2 under which the Registrant has requested confidential treatment of certain portions of this Exhibit).

(11) STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS.

11.1. Computation of Net Loss Per Share. Previously Filed

(21) SUBSIDIARIES OF THE REGISTRANT.

21.1. Subsidiaries of the Registrant. Previously Filed

(23) CONSENT OF EXPERTS AND COUNSEL.

23.1 Consent of Coopers & Lybrand L.L.P.

(24) POWERS OF ATTORNEY.

24.1. Powers of Attorney. Previously Filed

24.2. Certified resolution of the Registrant's Board of Directors authorizing officers and directors signing on behalf of the Company to sign pursuant to a power of attorney. Previously Filed

(B) REPORTS ON FORM 8-K.

No current report on Form 8-K was filed by the Registrant during the fourth quarter of fiscal 1995.

-42-

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: April 11, 1997

NEOPROBE CORPORATION
(the "Registrant")

By: David C. Bupp

David C. Bupp, President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S> John L. Ridihalgh* ----- John L. Ridihalgh	<C> Director, Chairman of the Board, Chief Executive Officer (principal executive officer)	April 11, 1997
David C. Bupp ----- David C. Bupp	Director, President, Chief Operating Officer and Treasurer (principal financial officer)	April 11, 1997
John Schroepfer* ----- John Schroepfer	Vice President, Finance and Administration	April 11, 1997
Jerry K. Mueller, Jr.* ----- Jerry K. Mueller, Jr.	Director	April 11, 1997
James F. Zid* ----- James F. Zid	Director	April 11, 1997
Zwi Vromen* ----- Zwi Vromen	Director	April 11, 1997
Julius R. Krevans* ----- Julius R. Krevans	Director	April 11, 1997
Michael P. Moore* ----- Michael P. Moore	Director	April 11, 1997
J. Frank Whitley, Jr.* ----- J. Frank Whitley, Jr.	Director	April 11, 1997
C. Michael Hazard* ----- C. Michael Hazard	Director	April 11, 1997

*By: David C. Bupp

David C. Bupp, Attorney-in-fact

</TABLE>

NEOPROBE CORPORATION

FORM 10-KSB ANNUAL REPORT

FOR THE FISCAL YEAR ENDED:

DECEMBER 31, 1996

FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Directors and Stockholders of
Neoprobe Corporation

We have audited the accompanying consolidated balance sheets of Neoprobe Corporation and Subsidiaries (A Development Stage Company) as of December 31, 1995 and 1996, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 1994, 1995, and 1996, and for the period from November 16, 1983 (date of inception) to December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Neoprobe Corporation and Subsidiaries (A Development Stage Company) as of December 31, 1995 and 1996, and the consolidated results of their operations and their cash flows for the years ended December 31, 1994, 1995, and 1996, and for the period from November 16, 1983 (date of inception) to December 31, 1996, in conformity with generally accepted accounting principles.

Columbus, Ohio
February 12, 1997

F-1

NEOPROBE CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

December 31, 1995 and 1996

<TABLE>

<CAPTION>

ASSETS	1995	1996
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$10,032,973	\$30,168,412
Available-for-sale securities	7,279,659	19,748,819
Stock subscriptions receivable	1,262,513	
Accounts receivable	184,330	1,240,474
Inventory	473,004	216,272
Prepaid expenses	442,429	1,605,897
Other current assets	341,587	683,649
Total current assets	20,016,495	53,663,523
Note receivable		1,500,000
Property and equipment at cost:		
Equipment	4,570,185	7,053,392
Construction in progress	262,026	1,226,966
Less accumulated depreciation and amortization	(1,266,939)	(1,831,997)
Total property and equipment	4,832,211	8,280,358
Intangible assets, net of accumulated amortization of \$65,626 and \$84,750, respectively	523,249	2,130,335
Other assets	40,314	130,949
Total assets	\$ 24,145,330	\$63,873,168

</TABLE>

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

F-2

NEOPROBE CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

<TABLE>

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	1995	1996
<S>	<C>	<C>
Current liabilities:		

Accounts payable:		
Trade	\$ 1,558,916	\$ 2,368,357
Related parties	25,838	36,298
Accrued expenses	957,049	2,951,430
Deferred revenue		2,000,000
Notes payable to finance company		128,487
Capital lease obligation, current	244,348	76,161
	-----	-----
Total current liabilities	2,914,638	7,587,337
	-----	-----
Long-term debt	1,100,000	1,000,687
Capital lease obligation	82,043	8,096
	-----	-----
Total liabilities	4,096,681	8,596,120
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; \$.001 par value; 5,000,000 shares authorized at December 31, 1995 and 1996; none outstanding (500,000 shares designated as Series A, \$.001 par value, at December 31, 1996; none outstanding)		
Common stock; \$.001 par value; 50,000,000 shares authorized; 17,534,800 shares issued and 17,334,800 shares outstanding at December 31, 1995; 22,586,527 shares issued and outstanding at December 31, 1996		17,335 22,587
Additional paid-in capital	62,964,787	119,293,862
Deficit accumulated during development stage		(43,146,860) (64,116,003)
Unrealized gain on available-for-sale securities		46,480 (29,859)
Cumulative foreign currency translation adjustment		166,907 106,461
	-----	-----
Total stockholders' equity	20,048,649	55,277,048
	-----	-----
Total liabilities and stockholders' equity	\$24,145,330	\$ 63,873,168
	=====	=====

</TABLE>

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

F-3

NEOPROBE CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	Years Ended December 31,			November 16, 1983 (Date of Inception) to December 31,
	1994	1995	1996	1996
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 933,056	\$ 959,984	\$ 1,171,186	\$ 4,058,997
Cost of goods sold	587,972	505,998	676,773	2,128,297
	-----	-----	-----	-----
Gross profit	345,084	453,986	494,413	1,930,700
	-----	-----	-----	-----

Operating expenses:

Research and development expenses:				
Wages and benefits	2,444,922	3,152,741	5,694,484	14,865,442
Contracted services	348,544	1,646,309	4,709,492	9,246,939
Clinical trials	3,448,335	2,350,814	4,747,008	17,580,200

Other	519,627	679,612	931,777	3,206,753
Total research and development	6,761,428	7,829,476	16,082,761	44,899,334
General and administrative expenses:				
Wages and benefits	778,138	1,086,622	2,990,665	8,229,860
Contracted services	544,296	431,220	639,183	2,791,170
Professional services	896,961	455,234	616,441	3,329,532
Depreciation and amortization	488,959	545,337	649,381	2,189,983
Other	1,605,008	1,629,428	2,857,900	9,217,376
Total general and administrative	4,313,362	4,147,841	7,753,570	25,757,921
Loss from operations	(10,729,706)	(11,523,331)	(23,341,918)	(68,726,555)
Other income (expense):				
Interest income	180,771	603,275	2,179,345	3,765,385
Interest expense	(73,003)	(121,463)	(83,436)	(506,040)
Gain (loss) on foreign currency transactions	15,910	18,195	(43,459)	(44,663)
Other	(15,318)	263,949	320,325	1,316,517
Minority interest	66,600			79,353
Total other income	174,960	763,956	2,372,775	4,610,552
Net loss	<u>\$(10,554,746)</u>	<u>\$(10,759,375)</u>	<u>\$(20,969,143)</u>	<u>\$(64,116,003)</u>
Loss per share data:				
Net loss per share of common stock	<u>\$ (1.18)</u>	<u>(.73)</u>	<u>(1.06)</u>	
Weighted-average number of shares outstanding during the year				
	<u>8,926,196</u>	<u>14,725,687</u>	<u>19,743,649</u>	

</TABLE>

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

F-4

NEOPROBE CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>

<CAPTION>

	November 16, 1983 (Date of			Inception) to December 31, 1996
	Years Ended December 31,			
	1994	1995	1996	
<S>	<C>	<C>	<C>	<C>
Cash flows from operating activities:				
Net loss	\$(10,554,746)	\$(10,759,375)	\$(20,969,143)	\$(64,116,003)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	495,838	551,992	652,623	2,208,318

Loss on disposal of assets	15,536	9,099	10,199	59,058
Reissuance of treasury stock to 401(k) plan	2,034			20,450
Amortization of bond premium	18,021			18,021
Minority interest	(66,600)		(79,353)	
Non-cash expenditures for research and development		500,000	500,000	
Compensation expense under restricted stock and stock option plans		1,683,750	1,683,750	
Change in operating assets and liabilities:				
Accounts receivable	(554,935)	396,725	(1,002,799)	(1,163,216)
Inventory	202,578	64,757	248,734	211,705
Prepaid expenses and other	21,955	(252,076)	(566,291)	(1,235,679)
Accounts payable	175,335	19,981	905,883	2,309,625
Accrued expenses	81,825	740,579	1,996,641	2,922,209
Deferred revenue		2,000,000	2,000,000	
	-----	-----	-----	-----
Net cash used in operating activities	(10,163,159)	(9,228,318)	(14,540,403)	(54,661,115)
	-----	-----	-----	-----
Cash flows from investing activities:				
Purchases of available-for-sale securities	(4,030,743)	(16,564,908)	(50,061,144)	(94,673,416)
Proceeds from sales of available-for-sale securities	2,605,405	1,243,431	27,607,495	45,989,652
Maturities of available-for-sale securities	2,965,000	10,763,965	9,982,000	28,964,742
Purchases of property and equipment	(525,519)	(1,434,524)	(3,616,297)	(6,518,917)
Patents and organization costs	(217,993)	(132,416)	(126,209)	(790,179)
Other		(78)	(48,980)	
	-----	-----	-----	-----
Net cash provided by (used in) investing activities	796,150	(6,124,452)	(16,214,233)	(27,077,098)
	-----	-----	-----	-----
Cash flows from financing activities:				
Proceeds from notes payable	169,761	1,243,696	180,242	3,271,822
Proceeds from issuance of common stock, net	8,379,147	23,995,737	50,117,201	101,818,921
Payment of notes payable	(161,132)	(137,109)	(153,638)	(2,829,128)
Proceeds under capital leases	392,138		481,545	
Payments under capital leases	(171,721)	(212,199)	(241,390)	(646,149)
Proceeds from issuance of preferred stock			8,845,879	
Treasury stock purchases			(25,000)	
Proceeds from bank loan		1,000,687	1,000,687	
	-----	-----	-----	-----
Net cash provided by financing activities	8,608,193	24,890,125	50,903,102	111,918,577
	-----	-----	-----	-----
Effect of exchange rate changes on cash	6,219	(5,157)	(13,027)	(11,952)
	-----	-----	-----	-----
Net (decrease) increase in cash and cash equivalents	(752,597)	9,532,198	20,135,439	30,168,412
Cash and cash equivalents, beginning of period	1,253,372	500,775	10,032,973	
	-----	-----	-----	-----
Cash and cash equivalents, end of period	\$ 500,775	\$ 10,032,973	\$ 30,168,412	\$ 30,168,412
	=====	=====	=====	=====

</TABLE>

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

F-5

NEOPROBE CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>

<CAPTION>

	Common Stock		Preferred Stock		Deficit	During the Development Stage
	Shares	Amount	Shares	Amount	Accumulated Additional Paid-in Capital	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, November 16, 1983 (inception):						
Sale of common stock (\$.002-\$7.84 per share), net of cost	3,647,174	\$ 3,647			\$ 8,658,415	
Payment for stock purchase option				65,000		
Issued at \$6 per share for converting debt to equity	76,817		77		460,913	
Conversion of common stock to preferred stock	(270,896)		(271)	541,792	\$ 2,123,824	(2,123,553)
Sale of preferred stock at \$4.12 per share			484,849	2,000,002		
Repurchased shares at \$6 per share	(4,166)					
Reissued to 401(k) plan at \$6 per share	3,830				(4,550)	
Conversion of preferred stock to common stock	1,715,205		1,715	(1,026,641)	(4,123,826)	10,967,988
Issued to an employee for services	1,750	2			6,998	
Sale of common stock and warrants in connection with IPO (1,725,000 units at \$6 per unit), net of costs	1,725,000	1,725			8,177,959	
Issued to employees at par value	80,000	80				
Exercise of employee stock options at \$2 per share	9,200		9		18,391	
Sale of common stock and warrants (550,000 units at \$12 per unit), net of costs	1,100,000	1,100			5,828,636	
Issued in connection with acquisition	128,096	128			688,389	
Foreign currency translation adjustment						
Net loss since inception to December 31, 1993						\$(21,832,739)

</TABLE>

<TABLE>

<CAPTION>

	Cumulative Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Available- for-Sale Securities		
		Treasury Stock	Total	Total
<S>	<C>	<C>	<C>	<C>
Balance, November 16, 1983 (inception):				
Sale of common stock (\$.002-\$7.84 per share), net of cost				\$ 8,662,062
Payment for stock purchase option				65,000
Issued at \$6 per share for converting debt to equity				460,990

Conversion of common stock to preferred stock			
Sale of preferred stock at \$4.12 per share			2,000,002
Repurchased shares at \$6 per share	\$ (25,000)		(25,000)
Reissued to 401(k) plan at \$6 per share	22,966		18,416
Conversion of preferred stock to common stock			6,845,877
Issued to an employee for services			7,000
Sale of common stock and warrants in connection with IPO (1,725,000 units at \$6 per unit), net of costs			8,179,684
Issued to employees at par value			80
Exercise of employee stock options at \$2 per share			18,400
Sale of common stock and warrants (550,000 units at \$12 per unit), net of costs			5,829,736
Issued in connection with acquisition			688,517
Foreign currency translation adjustment	\$ 5,790		5,790
Net loss since inception to December 31, 1993			(21,832,739)

</TABLE>

CONTINUED

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

F-6

NEOPROBE CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>

<CAPTION>

	Common Stock		Preferred Stock		Deficit Accumulated		During the Development Stage
	Shares	Amount	Shares	Amount	Additional Paid-in Capital		
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1993		8,212,010	\$ 8,212	0	\$ 0	\$ 32,744,586	\$(21,832,739)
Exercise of employee stock options at \$2 per share	2,000	2			3,998		
Exercise of stock warrants (\$3.75 to \$4.50 per share)	12,140	12			50,065		
Issued in connection with acquisition	76,967	77			480,967		
Reissued to 401(k) plan at \$6 per share	1,398	1			6,575		
Sale of common stock at \$2.27 per share, net of							

costs	2,000,000	2,000		4,426,825		
Exercise of warrants for common stock at \$.001 per share in exchange for \$550 (par value) and cancellation of other warrants of offsetting value	550,000	550				
Foreign currency translation adjustment						
Net loss				(10,554,746)		

Balance, December 31, 1994	10,854,515	10,854	0	0	37,713,016	(32,387,485)
Issued to 401(k) plan	3,253	3		13,065		
Exercise of stock warrants (\$3.75 to \$6.00 per share)	549,712	550		2,492,750		
Exercise of employee stock options (\$2 to \$6 per share)	97,745	98		328,486		
Sale of common stock at \$2.27 per share, net of costs	3,000,000	3,000		5,914,171		
Exercise of unit purchase option by underwriter at \$2.22 per share, net of costs	450,000	450		994,073		
Sale of common stock at \$5.50 per share, net of costs	1,650,000	1,650		8,287,902		
Sale of common stock at \$10.50 per share, net of costs	575,000	575		5,696,782		
Issued in connection with investments by marketing partner (\$9.03 to \$15.97 per share), net of costs	154,575	155		1,524,542		
Foreign currency translation adjustment						
Unrealized gain on available-for-sale securities						
Net loss				(10,759,375)		

</TABLE>

<TABLE>
<CAPTION>

	Cumulative Foreign Currency Translation Adjustment	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Total
<S>	<C>	<C>	<C>	<C>
Balance, December 31, 1993	\$	5,790	\$ (2,034)	\$ 10,923,815
Exercise of employee stock options at \$2 per share				4,000
Exercise of stock warrants (\$3.75 to \$4.50 per share)				50,077
Issued in connection with acquisition				481,044
Reissued to 401(k) plan				

at \$6 per share		2,034		8,610
Sale of common stock at \$2.27 per share, net of costs				4,428,825
Exercise of warrants for common stock at \$.001 per share in exchange for \$550 (par value) and cancellation of other warrants of offsetting value				550
Foreign currency translation adjustment	88,222			88,222
Net loss				(10,554,746)
	-----	-----	-----	-----
Balance, December 31, 1994	94,012	0		5,430,397
Issued to 401(k) plan				13,068
Exercise of stock warrants (\$3.75 to \$6.00 per share)				2,493,300
Exercise of employee stock options (\$2 to \$6 per share)				328,584
Sale of common stock at \$2.27 per share, net of costs				5,917,171
Exercise of unit purchase option by underwriter at \$2.22 per share, net of costs				994,523
Sale of common stock at \$5.50 per share, net of costs				8,289,552
Sale of common stock at \$10.50 per share, net of costs				5,697,357
Issued in connection with investments by marketing partner (\$9.03 to \$15.97 per share), net of costs				1,524,697
Foreign currency translation adjustment	72,895			72,895
Unrealized gain on available-for-sale securities		\$ 46,480		46,480
Net loss				(10,759,375)
	-----	-----	-----	-----

</TABLE>

CONTINUED

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

F-7

NEOPROBE CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

Deficit
Accumulated

	Common Stock		Preferred Stock		Additional Paid-in Capital	During the Development Stage	
	Shares	Amount	Shares	Amount			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
Balance, December 31, 1995		17,334,800	\$17,335	0	\$ 0	\$ 62,964,787	\$(43,146,860)
Exercise of employee stock options at \$2 to \$6 per share		132,075	132		553,139		
Exercise of stock warrants (\$3.32 to \$12.60 per share)		2,904,421	2,905		18,165,986		
Issued to 401(k) plan at \$3.46		5,426	5		18,792		
Issued to employee in exchange for services		10,000	10		121,240		
Sale of common stock at \$18.50 per share, net of costs		1,750,000	1,750		30,190,777		
Issued in exchange for technology licenses at \$16.03 per share		124,805	125		1,999,875		
Issued in exchange for note receivable and development activities at \$20.25 per share		125,000	125		2,531,125		
Issued in conversion of debentures at \$5.93 per share		200,000	200		1,185,641		
Vesting of compensatory employee options					1,562,500		
Foreign currency translation adjustment							
Unrealized loss on available-for-sale securities							
Net loss					(20,969,143)		
Balance, December 31, 1996		22,586,527	\$22,587	0	\$ 0	\$119,293,862	\$(64,116,003)

</TABLE>

<TABLE>
<CAPTION>

	Cumulative Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Available- for-Sale Securities			Total
		Treasury Stock			
<S>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1995	\$ 166,907	\$ 0	\$ 46,480	\$ 20,048,649	
Exercise of employee stock options at \$2 to \$6 per share			553,271		
Exercise of stock warrants (\$3.32 to \$12.60 per share)			18,168,891		
Issued to 401(k) plan at \$3.46			18,797		
Issued to employee in exchange for services			121,250		
Sale of common stock at \$18.50 per share, net of costs			30,192,527		
Issued in exchange for technology licenses at \$16.03 per share			2,000,000		
Issued in exchange for note receivable and development activities					

at \$20.25 per share			2,531,250	
Issued in conversion of debentures at \$5.93 per share			1,185,841	
Vesting of compensatory employee options			1,562,500	
Foreign currency translation adjustment	(60,446)		(60,446)	
Unrealized loss on available-for-sale securities		(76,339)	(76,339)	
Net loss			(20,969,143)	
Balance, December 31, 1996	\$ 106,461	\$ 0	\$ (29,859)	\$ 55,277,048

</TABLE>

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

F-8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- a. ORGANIZATION AND NATURE OF OPERATIONS: Neoprobe Corporation ("the Company"), a Delaware corporation, 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. No significant revenues will be derived from the commercial marketing of the Company's RIGS(R) products until after the necessary government approvals are obtained, the first of which is not expected until 1997 at the earliest. Expenses incurred have been primarily for research and development activities and administration, resulting in an accumulated deficit of approximately \$64,000,000. The Company is dependent on the proceeds of its securities and other financing vehicles to continue the commercial development of its proposed products.
- b. BASIS OF PRESENTATION: The consolidated financial statements of the Company include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.
- c. FOREIGN CURRENCY TRANSLATION: In accordance with Statement of Financial Accounting Standards (SFAS) No. 52, Foreign Currency Translation, assets and liabilities denominated in foreign currencies are translated at current exchange rates in effect at the balance sheet dates, and revenues and expenses are translated at the average monthly exchange rate. The differences resulting from such translations, as compared to the equity of subsidiaries which is translated at historical rates, are included in cumulative foreign currency translation adjustments, a separate component of stockholders' equity.
- d. CASH AND CASH EQUIVALENTS: For purposes of the statements of cash flows, cash and cash equivalents consist of demand deposits, money market funds, highly liquid debt instruments and certificates of deposit with original maturities of three months or less.
- e. AVAILABLE-FOR-SALE SECURITIES: Information related to amortized cost and fair value of available-for-sale securities at December 31, 1995 and 1996 is provided below:

<TABLE>

<CAPTION>

	GROSS		
1995	AMORTIZED COST	UNREALIZED GAINS	FAIR VALUE

<S>	<C>	<C>	<C>	
U.S. Treasury and U.S. Government		\$1,958,822	\$40,501	\$1,999,323
Corporate debt securities		5,274,357	5,979	5,280,336
		<u>\$7,233,179</u>	<u>\$46,480</u>	<u>\$7,279,659</u>

</TABLE>

<TABLE>
<CAPTION>

1996	GROSS			
	AMORTIZED COST	UNREALIZED LOSSES	FAIR VALUE	
<S>	<C>	<C>	<C>	
U.S. Treasury and U.S. Government		\$ 891,851	\$(16,026)	\$ 875,825
Corporate debt securities		18,886,827	(13,833)	18,872,994
		<u>\$19,778,678</u>	<u>\$(29,859)</u>	<u>\$19,748,819</u>

</TABLE>

F-9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - [CONTINUED]

The fair value of debt securities at December 31, 1996, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities as, under an existing investment agreement, the Company has the ability and intent to hold all securities for short-term working capital purposes.

<TABLE>
<CAPTION>

1995	AMORTIZED COST	FAIR VALUE
<S>	<C>	<C>
Due one year or less	\$4,928,134	\$ 4,967,125
Due after one year through five years	2,016,948	2,023,117
Due after five years through ten years	288,097	289,417
	<u>\$7,233,179</u>	<u>\$ 7,279,659</u>

</TABLE>

<TABLE>
<CAPTION>

1996	AMORTIZED COST	FAIR VALUE
<S>	<C>	<C>
Due one year or less	\$15,483,515	\$15,498,661
Due after one year through five years	4,295,163	4,250,158
	<u>\$19,778,678</u>	<u>\$19,748,819</u>

</TABLE>

f. INVENTORY: The components of inventory at December 31, 1995 and 1996, are as follows:

<TABLE>
<CAPTION>

	1995	1996
<S>	<C>	<C>

Materials and component parts	\$101,886	\$ 51,264
Work in process	107,786	94,389
Finished goods	263,332	70,619
	-----	-----
	\$473,004	\$216,272
	=====	=====

</TABLE>

Materials and component parts are valued at the lower of moving average cost or market. Work in process and finished goods are valued at the lower of cost (first-in, first-out) or market.

- g. **PROPERTY AND EQUIPMENT:** Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. Maintenance and repairs are charged to expense as incurred, while renewals and improvements are capitalized. Equipment includes \$770,545 and \$571,563 of equipment under capital leases and accumulated amortization of \$423,958 and \$393,384 at December 31, 1995 and 1996, respectively.
- h. **INTANGIBLE ASSETS:** Intangible assets consist primarily of the cost of patents and acquired technology licenses. Patent costs are amortized on a straight-line basis over the remaining lives of the patents. Patent application costs are deferred pending the outcome of patent applications. Costs associated with unsuccessful patent applications and abandoned intellectual property are expensed when determined to be worthless. The Company evaluates the potential alternative uses of intangible assets, as well as the recoverability of the carrying values of intangible assets on a recurring basis.
- i. **SALES REVENUE:** The Company has derived revenues from the sale of blood group serology products and from sales of its radiation detection instruments. These sale transactions are independent of the clinical testing agreements and are not contingent upon the completion or results of clinical testing. The Company recognizes sales revenue when the product is shipped.
- j. **RESEARCH AND DEVELOPMENT COSTS:** All costs related to research and development are expensed as incurred.

F-10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - [CONTINUED]

- k. **INCOME TAXES:** The Company accounts for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. Under SFAS No. 109, deferred tax assets and liabilities are recognized based on temporary differences between the financial statement and tax basis of assets and liabilities using current statutory tax rates. SFAS No. 109 also requires a valuation allowance against net deferred tax assets if, based on the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.
- l. **USE OF ESTIMATES:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- m. **NET LOSS PER COMMON SHARE:** Net loss per common share is based on the weighted average number of common shares outstanding during the year. The loss per share for all periods presented excludes the number of common shares issuable upon the conversion of convertible debentures, and the number of shares issuable upon exercise of outstanding stock options and warrants into the Company's common stock since such inclusion would be antidilutive.
- n. **RECLASSIFICATIONS:** Certain amounts have been reclassified to conform with the 1996 presentation.

2. ACCOUNTS RECEIVABLE:

Accounts receivable at December 31, 1995 and 1996 consist of the following:

<TABLE>
<CAPTION>

	1995	1996
	----	----
<S>	<C>	<C>
Trade	\$176,434	\$ 856,682
Related Parties	7,896	28,771
Other		355,021
	-----	-----
	\$184,330	\$1,240,474
	=====	=====

</TABLE>

3. NOTE RECEIVABLE:

At December 31, 1996, note receivable represents a convertible debenture from XTL Biopharmaceuticals Ltd. held by the Company related to an Investment and Research & Development Agreement (Note 11). The debenture is due on February 13, 1998, bears interest at 5%, and is payable annually.

4. ACCRUED EXPENSES:

Accrued expenses at December 31, 1995 and 1996 consist of the following:

<TABLE>
<CAPTION>

	1995	1996
	----	----
<S>	<C>	<C>
Royalties	\$ 27,524	\$ 46,628
Compensation	440,417	1,223,160
Taxes	64,470	36,712
Contracted Services & Other	424,638	1,644,930
	-----	-----
	\$ 957,049	\$2,951,430
	=====	=====

</TABLE>

5. LONG-TERM DEBT:

In 1995, Neoprobe (Israel) Ltd. ("Neoprobe (Israel)"), a subsidiary of the Company, and the Company issued convertible debentures in the amount of \$1,100,000 due February 10, 1997. During 1996, all of the debentures were converted into 200,000 shares of the Company's common stock.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - [CONTINUED]

In 1994, Neoprobe (Israel) received notification from the state of Israel's Finance Committee that a financial program had been approved for the construction and operation of a radiolabeling facility by Neoprobe (Israel) near Dimona, Israel. The amount of the approved investment is currently approximately \$4.8 million. Neoprobe (Israel) has submitted a request to increase the approved investment by approximately \$3.5 million. 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. As of December 31, 1996, Neoprobe (Israel) has received approximately \$1 million and \$173,000 in the form of loans and grants, respectively. Amounts received as loans bear interest at the LIBOR rate plus a specified percentage based on the exchange rate differential between the Israeli shekel and the U.S. dollar, or approximately 7% at December 31, 1996. Principal payments are due at various dates based on the date of each

respective loan draw. Based on loan draws received to date, principal amounts of approximately \$13,770, \$202,460, \$439,636, \$236,342 and \$108,479 become due in 1998 through 2002.

6. INCOME TAXES:

As of December 31, 1996, net deferred tax assets approximated \$24.1 million related principally to net operating loss carryforwards of approximately \$55.6 million available to offset future taxable income, if any, through 2011 and tax credit carryforwards of approximately \$1.9 million (principally research and development) available to reduce future income tax liability after utilization of tax loss carryforwards, if any, through 2011. Due to the uncertainty surrounding the realization of these favorable tax attributes in future tax returns, all of the net deferred tax assets have been fully offset by a valuation allowance.

Under Section 382 of the Internal Revenue Code of 1986, as amended, the utilization of net operating loss carryforwards may be limited under the change in stock ownership rules of the Internal Revenue Code. As a result of ownership changes which occurred in September 1994 and March 1989, the Company's operating tax loss carryforwards and tax credit carryforwards are subject to these limitations.

7. EQUITY:

a. COMMON STOCK:

The Company's research and development activities and operating costs have been funded principally with cash generated from the issuance of common stock. In April 1996, the Company completed the sale of 1,750,000 shares of common stock at a price of \$18.50 per share in a secondary offering. Gross proceeds from this offering were \$32.4 million, and proceeds net of underwriting discounts were \$30.5 million.

In November 1992 and December 1993, the Company issued a total of 2,330,000 Class E Redeemable Common Stock Purchase Warrants ("Class E Warrants"). The Class E Warrants were exercisable over a three-year period beginning November 10, 1993 and expiring on November 12, 1996. During 1996, the Company received proceeds from the exercise of Class E Warrants of approximately \$15.0 million.

During 1994, 1995 and 1996 total cash generated from public offerings and private placements of common stock is as follows:

<TABLE>
<CAPTION>

	1994	1995	1996	
	-----	-----	-----	
<S>	<C>	<C>	<C>	
Public offerings, including exercise of warrants.....		\$ 4,478,902	\$ 21,134,865	\$ 47,988,930
Private placements and exercise of options.....		3,900,245	2,860,872	2,128,271
		-----	-----	-----
	\$ 8,379,147	\$ 23,995,737	\$ 50,117,201	
	=====	=====	=====	

</TABLE>

b. STOCK OPTIONS:

At December 31, 1996, the Company has two stock-based compensation plans which are described below. The Company applies APB Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized related to fixed options granted under the plans. The compensation cost that has been charged against income related to performance-based plans was \$1.7 million for 1996. Had compensation cost for the Company's two stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans, consistent with FASB Statement No. 123, the Company's net loss per share would have been increased to the pro forma amounts indicated below:

Outstanding at end of year	1,211,300	\$3.29	1,723,543	\$2.93	2,002,138	\$ 5.60
Options exercisable at end of year	655,292		931,762		1,265,893	

</TABLE>

Included in outstanding options as of December 31, 1996 are 351,333 options exercisable at a weighted-average price of \$4.53 per share which vest on the meeting of certain Company achievements.

F-13

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - [CONTINUED]

The following table summarizes information about the Company's stock options outstanding at December 31, 1996:

<TABLE>

<CAPTION>

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
	WEIGHTED NUMBER OUTSTANDING AT	AVERAGE REMAINING LIFE	WEIGHTED AVERAGE PRICE	NUMBER EXERCISABLE AT	WEIGHTED AVERAGE PRICE	
	DECEMBER 31, 1996	CONTRACTUAL LIFE		DECEMBER 31, 1996		
<S>	<C>	<C>	<C>	<C>	<C>	
\$2.00 to \$3.88	772,959	7 Years	\$ 2.60	439,081	\$ 2.68	
\$5.75 to \$6.50	785,479	6 Years	\$ 6.03	745,479	\$ 6.03	
\$12.25 to \$17.75	443,700	9 Years	\$15.47	81,333	\$15.47	
	2,002,138			1,265,893		

</TABLE>

c. STOCK WARRANTS:

At December 31, 1996, there are approximately 160,000 warrants outstanding to purchase common stock of the Company. The warrants are exercisable at prices ranging from \$3.00 to \$17.92 per share with a weighted average exercise price per share of \$4.96. The warrants expire on various dates from 1997 through 2000.

During 1995, the Company issued 450,000 shares of common stock related to the conversion of a unit purchase option issued during 1992. In exchange, the Company received cash and promissory notes totaling \$999,500. The promissory notes were collected during 1995.

During 1996, the Company issued warrants to purchase 150,000 shares of common stock (which were exercised) related to a 1992 license agreement.

d. COMMON STOCK RESERVED: Shares of authorized common stock have been reserved for the exercise of all options and warrants outstanding.

e. STOCK SUBSCRIPTIONS RECEIVABLE: During 1996, the Company collected \$1.3 million related to subscriptions for common stock outstanding at December 31, 1995.

8. SHAREHOLDER RIGHTS PLAN:

During July 1995, the Company's Board of Directors adopted a Shareholder Rights Plan. Under the plan, one "Right" is to be distributed for each share of common stock held by shareholders on the close of business on August 28, 1995. The Rights are exercisable only if a person and its affiliate commences a tender offer or exchange offer for 15% or more of the common stock, or if there is a public announcement that a person and its affiliate

has acquired beneficial ownership of 15% or more of the common stock, and if the Company does not redeem the Rights during the specified redemption period. Initially, each Right, upon becoming exercisable, would entitle the holder to purchase from the Company one unit consisting of 1/100th of a share of Series A Junior Participating Preferred Stock at an exercise price of \$35 (which is subject to adjustment). Once the Rights become exercisable, if any person, including its affiliate, acquires 15% or more of the common stock of the Company, each Right other than the Rights held by the acquiring person and its affiliate becomes a right to acquire common stock having a value equal to two times the exercise price of the Right. The Company is entitled to redeem the Rights for \$0.01 per Right at any time prior to the expiration of the redemption period. The Shareholder Rights Plan and the Rights will expire on August 28, 2005.

F-14

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - [CONTINUED]

9. INTERNATIONAL OPERATIONS:

The following information relates to (New)MonoCarb AB (Sweden) and Neoprobe (Israel), the Company's international subsidiaries:

<TABLE>
<CAPTION>

	1994	1995	1996
	----	----	----
<S>	<C>	<C>	<C>
Net sales	\$ 850,000	\$ 803,000	\$ 391,000
Loss from operations	1,060,000	1,680,000	3,558,000
Identifiable assets	1,230,000	3,290,000	5,500,000

</TABLE>

For the year ended December 31, 1996, approximately \$258,000 and \$70,000 of net sales were concentrated between two customers. For the year ended December 31, 1995, approximately \$446,000 and \$250,000 of net sales were concentrated between two customers. For the year ended December 31, 1994, approximately \$750,000 of net sales were concentrated with a single customer.

10. RELATED-PARTY TRANSACTIONS:

A partner of a law firm which provides various legal services to the Company, including patent and trademark filings and prosecuting patent and trademark applications, is a director and officer of the Company. Fees related to services performed by this firm approximated \$346,000, \$201,000 and \$201,000 for the years ended December 31, 1994, 1995, and 1996, respectively, and \$1,513,000 for the period November 16, 1983 (inception) through December 31, 1996. The Company owed this law firm approximately \$13,000 and \$12,500 at December 31, 1995 and 1996, respectively. Also see Note 11.

11. AGREEMENTS:

a. RESEARCH AND DEVELOPMENT:

Under a research and development agreement between the Company, The Ohio State University, and the Department of Development of the State of Ohio, the Company must pay the State of Ohio periodic royalties calculated as a percentage of net sales of products utilizing the results of the sponsored research, a sharing of proceeds received from the sale of technology, and a portion of the royalties collected from any license the Company may grant. The Company has an option to terminate its royalty obligation following completion of the research period by making a termination payment to the State of Ohio.

b. LICENSE AND TECHNOLOGY AGREEMENTS:

In July 1992, the Company entered into a revised agreement with The Dow Chemical Company (Dow) for an exclusive global commercial sublicense to a specific antibody for use in RIGS system products subject to the approval of the National Cancer Institute of the National Institutes of Health

(NCI/NIH). The NCI/NIH approved the sublicense arrangement in 1993. The agreement provides that the Company will pay Dow royalties on RIGS surgical system antibody product revenues. In October 1995, the Company entered an exclusive worldwide license agreement with Dow for use of its iodination technology. Under this agreement, the Company must pay royalties to Dow on net sales of radiolabeled targeting agents produced with Dow's iodination technology. The license lasts through the life of any patent covering this process. An officer of Dow is a director of the Company.

In April 1993, the Company entered into a long-term clinical and commercial supply agreement with Nordion International Inc. (Nordion) for the radiolabeling of the Company's monoclonal antibody for clinical trials and commercial sale after regulatory approval to market has been granted. The agreement will remain in force for a minimum of three years after the Company is granted approval to market in the U.S. or Europe. The Company agreed to purchase certain quantities of the radiolabeled antibody throughout the term of the agreement at prices already set or to be determined based on current information at the time of commercial approval. The Company incurred costs of approximately \$560,000, \$350,000, and \$1.3 million for the years ended December 31, 1994, 1995, and 1996, respectively, and \$2.5 million since execution of the agreement through December 31, 1996.

F-15

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - [CONTINUED]

In February 1995, the Company signed a manufacturing and supply agreement with Bio-Intermediar B.V. (Bio-Intermediar) for the manufacture of the CC49 monoclonal antibody. The agreement is for a minimum of three years after the Company is granted regulatory approval to market with automatic one-year extensions thereafter. The Company has incurred costs of approximately \$510,000 and \$700,000 for the years ended December 31, 1995 and 1996, respectively, under this agreement.

In July 1995, the Company entered into an agreement with Neoprobe (Israel) and Rotem Industries Ltd. (Rotem) which amended and superseded a similar agreement dated April 1994 for Rotem's assistance in the construction and operation of a radiolabeling facility for the Company's targeting agents. In consideration for their assistance, Rotem received a 5% equity interest in Neoprobe (Israel) and a monthly retainer until the facility is complete. Once the radiolabeling facility is complete, Rotem will be paid a management fee based on the volume of production. Rotem has the option to acquire an additional 5% equity interest in Neoprobe (Israel) during the period from July 1, 1996 to June 30, 1998 at a purchase price to be determined later. If certain sales levels have not been met by the end of 1999, Rotem has the right to receive an additional 4% equity interest. Rotem is guaranteed a 5% equity interest in Neoprobe (Israel) until such time as the contributed equity investment by the Company exceeds \$2 million and the expenditures on the facility exceed \$8,000,000 or the annual units shipped exceed 50,000.

In August 1995, the Company signed a Cooperative Research and Development Agreement (CRADA) with the National Cancer Institute to develop and use specific monoclonal antibodies in RIGS surgeries. The agreement calls for the Company to contribute \$750,000 for expenditures over the five-year term of the CRADA. The Company incurred costs of \$31,000 and \$85,000 for the years ended December 31, 1995 and 1996, respectively, under this program.

In February 1996, the Company and XTL Biopharmaceuticals Ltd. ("XTL") executed a series of agreements, including an Investment Agreement and a Research and Development Agreement whereby XTL will perform specific research activities using XTL's proprietary technology for the development of future products for the Company. The Company purchased \$1.5 million of convertible debentures of XTL, convertible into approximately a 15% equity interest in XTL as of the date of purchase. The Company also acquired a warrant affording Neoprobe the option to purchase an additional 10% equity interest in XTL. Neoprobe issued

125,000 shares of common stock to XTL in exchange for the convertible debentures, a three year warrant, and future (approximately \$1 million) product development activities.

In March 1996, the Company executed a Subscription and Option Agreement with Cira Technologies, Inc. ("Cira"), under which the Company received a 10% equity interest in Cira and an option to increase its interest in Cira by 15%. The exercise price for the option shall be 15% of the fair market value of Cira's outstanding securities on the earlier of (a) the third anniversary date of the license agreement, or (b) the commencement of a pivotal clinical trial study. The option price is subject to a minimum of \$1.95 million and a maximum of \$4.5 million. The Company's Chairman is a director and shareholder of Cira. Additionally, a partner of a law firm, who is a director of the Company which provides various legal services to the Company, is a principal shareholder of Cira. The Company and Cira also entered into an agreement under which it will provide financial, clinical, and technical support to Cira for Cira to conduct a clinical study using Cira's technology, and the Company will have an option to acquire an exclusive global license for Cira's technology. The Company's financial commitment for this clinical study will not exceed \$500,000, and the Company has the right to terminate the agreement upon review of interim results of the clinical study. The Company has incurred expenses of approximately \$125,000 for the year ended December 31, 1996 under this agreement.

In May 1996, the Company executed two license agreements with Dow, whereby the Company was granted an exclusive license to technology covered by patents held by Dow. In exchange, the Company issued Dow 124,805 shares of common stock valued at \$2 million. Dow would also receive a specified percentage of any sublicense revenue received related to licensed technology. In addition, the Company agreed to make lump sum payments to Dow following marketing approval of certain initial products and on the achievement of certain sales milestones by the Company. Dow would also be paid royalties based on future net sales by the Company. Approximately \$1.5 million of the cost of the license agreements was recorded as an intangible asset representing assets with alternative future uses. Management believes that no significant impairment of the intangible assets associated with the license agreement has occurred.

F-16

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - [CONTINUED]

In September 1996, the Company executed a marketing license agreement (the "Agreement") with United States Surgical Corporation ("USSC") giving USSC exclusive sales and marketing rights (excluding Korea, Thailand, Taiwan, Malaysia, and Singapore) for the Company's RIGS surgical cancer detection products. USSC will also provide surgeon training and professional education worldwide for RIGS products. The initial term of the Agreement is for five years from the later date on which the Company receives U.S. or European regulatory approval, and is renewable for successive five-year periods. Upon execution of the Agreement, the Company received a \$2 million payment which has been recorded as deferred revenue. If the Company does not receive FDA or European regulatory approvals for the RIGS system within 24 months from the execution date, and if USSC terminates the Agreement during this period, the Company must refund the payment to USSC. In addition, USSC agreed to pay the Company an additional \$3.5 million upon receiving notification of marketing approval in the U.S. and Europe. Under the Agreement, the Company will pay USSC a commission on all RIGS-related product sales. USSC will make payments to the Company based on commissions collected from RIGS product sales to fund research and development on future RIGS products. In addition, USSC will pay royalties to the Company for all sales of RIGS disposable cancer detection products.

c. EMPLOYMENT:

The Company has employment agreements through December 31, 1998 with two of its executive officers which provide for restricted stock purchase agreements. The agreements provide that the officers can purchase up to an aggregate of 80,000 shares of the Company's common stock at par value

subject to vesting provisions. Vesting of the shares does not commence unless there is a change in control of the Company. The unvested portion of the restricted shares will be forfeited no later than June 4, 2006.

The Company has not recognized any expense under the agreement due to the contingent nature of the vesting provision and the risk of forfeiture.

12. LEASES:

The Company leases certain office and manufacturing equipment under capital leases which expire on various dates through 2000. In December 1996, the Company entered into a seventy-seven month lease agreement for office space, commencing January 1, 1997. In June 1996, the Company entered into a lease agreement for MonoCarb's manufacturing facility, which will terminate in May, 2004.

The future minimum lease payments for the years ending December 31 are as follows:

<TABLE>

<CAPTION>

	CAPITAL LEASES	OPERATING LEASES
	-----	-----
<S>	<C>	<C>
1997	\$86,183	\$689,138
1998	6,336	663,712
1999		676,206
2000		679,257
2001		681,108
	-----	-----
	\$92,519	\$3,389,421
Less amount representing interest		8,262

Present value of net minimum lease payments	\$84,257	
	=====	

</TABLE>

F-17

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - [CONTINUED]

Total rental expense under operating leases was approximately \$529,000, \$492,000, and \$621,000 for the years ended December 31, 1994, 1995, and 1996, respectively, and \$2,188,000 for the period November 16, 1983 (inception) to December 31, 1996.

13. EMPLOYEE BENEFIT PLAN:

The Company maintains an employee benefit plan under Section 401(k) of the Internal Revenue Code. The plan allows employees to make contributions and the Company may, but is not obligated to, match a portion of the employee's contribution with the Company's common stock, up to a defined maximum. The Company recorded expenses of \$13,000, \$18,700, and \$19,500 related to common stock to be contributed to the plan in 1994, 1995, and 1996, respectively, and \$71,400 for the period November 16, 1983 (inception) through December 31, 1996.

14. SUPPLEMENTAL DISCLOSURE FOR STATEMENTS OF CASH FLOWS:

The Company paid interest, net of amounts capitalized, aggregating \$70,972, \$37,182, and \$35,917 for the years ended December 31, 1994, 1995, and 1996, respectively, and \$367,403 for the period November 16, 1983 (inception) through December 31, 1996.

During 1995, the Company completed a strategic marketing agreement related to certain Asian markets for an additional investment of \$700,000, of which \$200,013 was included in subscriptions receivable as of December 31, 1995. The Company also received subscription agreements with other parties for the exercise of 200,000 warrants for which \$1,062,500 is recorded as

subscriptions receivable at December 31, 1995.

During 1996, the Company issued common stock valued at a total of \$5.7 million in exchange for license rights, convertible debentures, warrants, and product development activities. The Company also incurred capital lease obligations of approximately \$146,000, and \$29,000 in 1994 and 1995, respectively, to finance equipment.

15. 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.

F-18

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

NEOPROBE CORPORATION

FORM 10-KSB ANNUAL REPORT

FOR THE FISCAL YEAR ENDED:

DECEMBER 31, 1996

EXHIBITS

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of Neoprobe Corporation and Subsidiaries (A Development Stage Company) as listed below of our report dated February 12, 1997, on our audits of the consolidated balance sheets of Neoprobe Corporation and Subsidiaries (A Development Stage Company) as of December 31, 1995 and 1996, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 1994, 1995 and 1996, and for the period from November 16, 1983 (date of inception) to December 31, 1996, which report is included in this Annual Report on Form 10-KSB.

Form S-3	File No. 33-72700
Form S-3	File No. 33-73622
Form SB-2	File No. 33-86000
Form S-3	File No. 33-93438
Form S-3	File No. 33-93858
Form S-3	File No. 333-15989
Form S-8	File No. 33-70074
Form S-8	File No. 33-81410
Form S-8	File No. 333-05143

COOPERS & LYBRAND L.L.P.

Columbus, Ohio
April 11, 1997