

NEOPROBE CORP
Form 424B3
August 16, 2006

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-110858

PROSPECTUS SUPPLEMENT

Number 2

to

Second Amended Prospectus dated April 7, 2006, and Prospectus Supplement dated May 16, 2006

of

NEOPROBE CORPORATION

21,817,257 Shares of Common Stock

This Prospectus Supplement relates to the sale of up to 21,817,257 shares of Neoprobe Corporation common stock (the "Shares"). The Shares are being registered to permit public secondary trading of the shares that are being offered by the selling stockholders named in the prospectus. We are not selling any of the Shares in this offering and therefore will not receive any proceeds from this offering.

This Prospectus Supplement No. 2 includes the attached Quarterly Report on Form 10-QSB (the "Form 10-QSB") of Neoprobe Corporation (the "Company"), for the quarter ended June 30, 2006, filed by the Company with the Securities and Exchange Commission on August 14, 2006. The exhibits to the Form 10-QSB are not included with this Prospectus Supplement No. 2 and are not incorporated by reference herein. This Prospectus Supplement No. 2 should be read in conjunction with the prospectus supplement dated May 16, 2006.

Our common stock is traded on the Over-the-Counter Bulletin Board under the symbol "NEOP."

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus Supplement No. 2 is August 16, 2006.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

(Mark One)

**QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: June 30, 2006**

or

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

Commission File Number: 0-26520

NEOPROBE CORPORATION

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

Delaware

(State or other jurisdiction of incorporation or organization)

31-1080091

(I.R.S. employer identification no.)

425 Metro Place North, Suite 300, Dublin, Ohio 43017

(Address of principal executive offices)

614-793-7500

(Issuer's telephone number)

58,691,046 shares of common stock, par value \$.001 per share

(Number of shares of issuer's common equity outstanding as of the close of business on August 1, 2006)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 58,691,046 shares of common stock, par value \$.001 per share (as of the close of business on August 1, 2006).

Transitional Small Business Disclosure Format (check one) Yes No

NEOPROBE CORPORATION and SUBSIDIARIES

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PART I - FINANCIAL INFORMATION**Item 1. Financial Statements****Neoprobe Corporation and Subsidiaries
Consolidated Balance Sheets**

ASSETS	June 30, 2006 (unaudited)	December 31, 2005
Current assets:		
Cash and cash equivalents	\$ 4,726,719	\$ 4,940,946
Available-for-sale securities	-	1,529,259
Accounts receivable, net	911,243	673,008
Inventory	812,582	803,703
Prepaid expenses and other	242,349	501,557
Total current assets	6,692,893	8,448,473
Property and equipment	2,109,342	2,051,793
Less accumulated depreciation and amortization	1,818,852	1,768,558
	290,490	283,235
Patents and trademarks	3,183,393	3,162,547
Acquired technology	237,271	237,271
	3,420,664	3,399,818
Less accumulated amortization	1,428,142	1,300,908
	1,992,522	2,098,910
Other assets	630,340	739,823
Total assets	\$ 9,606,245	\$ 11,570,441

Continued

Neoprobe Corporation and Subsidiaries
Consolidated Balance Sheets, continued

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2006 (unaudited)	December 31, 2005
Current liabilities:		
Accounts payable	\$ 281,923	\$ 207,824
Accrued liabilities and other	288,555	821,781
Capital lease obligations, current	17,907	19,530
Deferred revenue, current	242,749	252,494
Notes payable to finance companies	66,619	200,054
Total current liabilities	897,753	1,501,683
Capital lease obligations	23,982	31,855
Deferred revenue	36,770	41,132
Note payable to CEO, net of discount of \$22,803 and \$26,249, respectively	77,197	73,751
Note payable to investor, net of discount of \$1,824,200 and \$2,099,898, respectively	6,175,800	5,900,102
Other liabilities	3,897	5,122
Total liabilities	7,215,399	7,553,645
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; \$.001 par value; 5,000,000 shares authorized at June 30, 2006 and December 31, 2005; none issued and outstanding		
Common stock; \$.001 par value; 150,000,000 shares authorized, 58,690,046 shares issued and outstanding at June 30, 2006; 58,622,059 shares issued and outstanding at December 31, 2005	58,690	58,622
Additional paid-in capital	135,068,330	134,903,259
Accumulated deficit	(132,736,174)	(130,947,103)
Accumulated other comprehensive income	-	2,018
Total stockholders' equity	2,390,846	4,016,796
Total liabilities and stockholders' equity	\$ 9,606,245	\$ 11,570,441

See accompanying notes to the consolidated financial statements.

Neoprobe Corporation and Subsidiaries
Consolidated Statements of Operations
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Net sales	\$ 1,433,991	\$ 1,700,878	\$ 3,221,909	\$ 3,166,765
Cost of goods sold	600,762	642,233	1,337,982	1,205,556
Gross profit	833,229	1,058,645	1,883,927	1,961,209
Operating expenses:				
Research and development	642,573	1,303,369	1,476,756	1,941,814
Selling, general and administrative	753,812	827,832	1,606,295	1,663,947
Total operating expenses	1,396,385	2,131,201	3,083,051	3,605,761
Loss from operations	(563,156)	(1,072,556)	(1,199,124)	(1,644,552)
Other income (expenses):				
Interest income	61,788	67,916	127,991	108,879
Interest expense	(363,426)	(333,905)	(719,960)	(661,478)
Increase in warrant liability	-	-	-	(142,427)
Other	3,325	(5,866)	2,022	(7,604)
Total other expenses	(298,313)	(271,855)	(589,947)	(702,630)
Net loss	\$ (861,469)	\$ (1,344,411)	\$ (1,789,071)	\$ (2,347,182)
Net loss per common share:				
Basic	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.04)
Diluted	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.04)
Weighted average shares outstanding:				
Basic	58,560,046	58,455,008	58,535,631	58,386,434
Diluted	58,560,046	58,455,008	58,535,631	58,386,434

See accompanying notes to the consolidated financial statements.

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

	Six Months Ended	
	June 30,	
	2006	2005
Cash flows from operating activities:		
Net loss	\$ (1,789,071)	\$ (2,347,182)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	196,668	300,560
Amortization of debt discount and offering costs	388,627	329,611
Increase in warrant liability	-	142,427
Stock option expense	138,526	-
Other	21,019	2,450
Changes in operating assets and liabilities:		
Accounts receivable	(238,235)	40,865
Inventory	(64,773)	84,596
Prepaid expenses and other assets	261,208	201,739
Accounts payable	74,099	219,450
Accrued liabilities and other liabilities	(534,451)	29,585
Deferred revenue	(14,107)	130,540
Net cash used in operating activities	(1,560,490)	(865,359)
Cash flows from investing activities:		
Purchases of available-for-sale securities	-	(4,744,030)
Maturities of available-for-sale securities	1,531,000	500,000
Purchases of property and equipment	(23,057)	(45,743)
Proceeds from sales of property and equipment	4,097	11,855
Patent and trademark costs	(20,846)	(10,898)
Net cash provided by (used in) investing activities	1,491,194	(4,288,816)
Cash flows from financing activities:		
Proceeds from issuance of common stock	-	57,922
Payment of debt issuance costs	(5,000)	(9,635)
Payment of notes payable	(130,435)	(154,897)
Payments under capital leases	(9,496)	