

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2022

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____.

Commission File Number 001-40447

NEXTPLAT CORP

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

65-0783722

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

3250 Mary St., Suite 410, Coconut Grove, FL
(Address of principal executive offices)

33133
(Zip Code)

(305)-560-5355

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001	NXPL	The Nasdaq Stock Market Inc.
Warrants	NXPLW	The Nasdaq Stock Market Inc.

Indicate by check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

Class	Outstanding at August 15, 2022
Common Stock, \$0.0001 par value	9,508,096

FORM 10-Q

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Part I Financial Information

Item 1. Financial Statements

The unaudited financial statements of NextPlat Corp, F/K/A/ Orbsat Corp, (“NextPlat,” the “Company,” “we,” or “our”), for the three and six months ended June 30, 2022 and for comparable periods in the prior year are included below. The financial statements should be read in conjunction with the notes to financial statements that follow.

**NEXTPLAT CORP AND SUBSIDIARIES
FKA: ORBSAT CORP
CONDENSED CONSOLIDATED BALANCE SHEETS AS OF**

	June 30, 2022 (unaudited)	December 31, 2021
ASSETS		
Current assets:		
Cash	\$ 20,467,722	\$ 17,267,978
Accounts receivable, net	344,915	349,836
Inventory	1,370,425	1,019,696
Unbilled revenue	120,816	100,422
VAT receivable	459,541	491,417
Prepaid expenses – current portion	64,523	97,068
Other current assets	2,873	48,539
Total current assets	<u>22,830,815</u>	<u>19,374,956</u>
Property and equipment, net	1,243,631	1,042,859
Right of use	909,908	22,643
Intangible assets, net	62,500	75,000
Prepaid expenses – long term portion	42,424	49,867
Total assets	<u>\$ 25,089,278</u>	<u>\$ 20,565,325</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,085,698	\$ 1,063,344
Contract liabilities	27,110	36,765
Note payable Coronavirus loans– current portion	60,825	56,391
Due to related party	-	35,308
Lease liabilities - current	203,561	19,763
Provision for income taxes	16,876	56,781
Stock subscription payable	-	1,400,000
Liabilities from discontinued operations	112,397	112,397
Total current liabilities	<u>1,506,467</u>	<u>2,780,749</u>
Long term liabilities:		
Note payable Coronavirus loans– long term	187,544	253,757
Lease liabilities - long term	696,426	-
Total Liabilities	<u>2,390,437</u>	<u>3,034,506</u>
Stockholders' Equity:		
Preferred Stock, \$0.0001 par value; 3,333,333 shares authorized	-	-
Common stock, (\$0.0001 par value; 50,000,000 shares authorized, 9,293,096 shares issued and outstanding as of June 30, 2022 and 7,053,146 outstanding at December 31, 2021, respectively)	929	705
Additional paid-in capital	47,206,953	39,513,093
Accumulated (deficit)	(24,492,159)	(21,986,215)
Accumulated other comprehensive income (loss)	(16,882)	3,236
Total stockholders' equity	<u>22,698,841</u>	<u>17,530,819</u>
Total liabilities and stockholders' equity	<u>\$ 25,089,278</u>	<u>\$ 20,565,325</u>

See the accompanying notes to the unaudited condensed consolidated financial statements.

NEXTPLAT CORP AND SUBSIDIARIES
FKA: ORBSAT CORP
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHNSIVE LOSS

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Net sales	\$ 2,871,479	\$ 1,956,260	\$ 6,449,257	\$ 3,417,688
Cost of sales	<u>2,304,090</u>	<u>1,414,770</u>	<u>5,080,775</u>	<u>2,438,681</u>
Gross profit	<u>567,389</u>	<u>541,490</u>	<u>1,368,482</u>	<u>979,007</u>
Operating expenses:				
Selling, general and administrative	1,160,855	282,006	1,735,205	443,696
Salaries, wages and payroll taxes	670,797	479,538	1,306,373	687,712
Professional fees	156,990	256,034	483,203	548,916
Depreciation and amortization	111,996	73,248	211,565	146,948
Total operating expenses	<u>2,100,638</u>	<u>1,090,826</u>	<u>3,736,346</u>	<u>1,827,272</u>
Loss before other expenses and income taxes	(1,533,249)	(549,336)	(2,367,864)	(848,265)
Other (income) expense				
Gain on debt extinguishment	-	(20,832)	-	(20,832)
Interest earned	(4,616)	-	(9,572)	-
Interest expense	3,681	940,907	6,924	1,461,601
Foreign currency exchange rate variance	123,547	(11,017)	140,728	(27,498)
Total other (income) expense	<u>122,612</u>	<u>909,058</u>	<u>138,080</u>	<u>1,413,271</u>
Net loss	<u>\$ (1,655,861)</u>	<u>\$ (1,458,394)</u>	<u>\$ (2,505,944)</u>	<u>\$ (2,261,536)</u>
Provision for income taxes	-	-	-	-
Net loss	(1,655,861)	(1,458,394)	(2,505,944)	(2,261,536)
Comprehensive Income:				
Net loss	(1,655,861)	(1,458,394)	(2,505,944)	(2,261,536)
Foreign currency translation adjustments	(4,788)	(14,345)	(20,118)	(12,734)
Comprehensive loss	<u>\$ (1,660,649)</u>	<u>\$ (1,472,739)</u>	<u>\$ (2,526,062)</u>	<u>\$ (2,274,270)</u>
NET LOSS INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS				
Weighted number of common shares outstanding – basic & diluted	9,293,096	5,668,522	9,230,335	5,299,399
Basic and diluted net loss per share	<u>\$ (0.18)</u>	<u>\$ (0.26)</u>	<u>\$ (0.27)</u>	<u>\$ (0.43)</u>

See the accompanying notes to the unaudited condensed consolidated financial statements.

NEXTPLAT CORP AND SUBSIDIARIES
 FKA: ORBSAT CORP
 UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the Six Months Ended June 30, 2022

	Common Stock \$0.0001 Par Value		Additional Paid in Capital	Accumulated Deficit	Comprehensive Income (Loss)	Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2021	7,053,146	\$ 705	\$ 39,513,093	\$ (21,986,215)	\$ 3,236	\$ 17,530,819
Issuance of common related to offering	2,229,950	223	7,004,815	-	-	7,005,038
Issuance of common related to restricted stock award	10,000	1	34,799	-	-	34,800
Stock based compensation in relation to restricted stock award	-	-	654,246	-	-	654,246
Comprehensive loss	-	-	-	-	(20,118)	(20,118)
Net loss	-	-	-	(2,505,944)	-	(2,505,944)
Balance, June 30, 2022	9,293,096	\$ 929	\$ 47,206,953	\$ (24,492,159)	\$ (16,882)	\$ 22,698,841

For the Six Months Ended June 30, 2021

	Common Stock \$0.0001 Par Value		Additional Paid in Capital	Accumulated Deficit	Comprehensive Income (Loss)	Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2020	817,450	\$ 82	\$ 14,486,492	\$ (13,878,553)	\$ (42,832)	\$ 565,189
Issuance common stock from convertible debt	1,345,468	135	1,644,132	-	-	1,644,267
Issuance of common related to offering	2,880,000	288	12,661,696	-	-	12,661,984
Issuance of common for over-allotment	432,000	43	1,983,226	-	-	1,983,269
Issuance of warrants for over-allotment	-	-	4,320	-	-	4,320
Issuance of common stock from exercise of warrant	1,000	-	5,000	-	-	5,000
Issuance of common for services	1,000	-	14,200	-	-	14,200
Beneficial conversion feature of convertible debt	-	-	340,420	-	-	340,420
Comprehensive loss	-	-	-	-	(12,734)	(12,734)
Net loss	-	-	-	(2,261,536)	-	(2,261,536)
Balance, June 30, 2021	5,476,918	\$ 548	\$ 31,139,486	\$ (16,140,089)	\$ (55,566)	\$ 14,944,379

For the Three Months Ended June 30, 2022

	Common Stock \$0.0001 Par Value		Additional Paid in Capital	Accumulated Deficit	Comprehensive Income (Loss)	Stockholders' Equity
	Shares	Amount				
Balance, March 31, 2022	9,293,096	\$ 929	\$ 46,552,707	\$ (22,836,298)	\$ (12,094)	\$ 23,705,244
Stock based compensation in relation to restricted stock award	-	-	654,246	-	-	654,246
Comprehensive loss	-	-	-	-	(4,788)	(4,788)
Net loss	-	-	-	(1,655,861)	-	(1,655,861)
Balance, June 30, 2022	9,293,096	\$ 929	\$ 47,206,953	\$ (24,492,159)	\$ (16,882)	\$ 22,698,841

For the Three Months Ended June 30, 2021

	Common Stock \$0.0001 Par Value		Additional Paid in Capital	Accumulated Deficit	Comprehensive Income (Loss)	Stockholders' Equity
	Shares	Amount				
Balance, March 31, 2021	1,236,887	\$ 124	\$ 15,299,161	\$ (14,681,695)	\$ (41,221)	\$ 576,369
Issuance common stock from convertible debt	927,031	93	1,186,083	-	-	1,186,176
Issuance of common related to offering	2,880,000	288	12,661,696	-	-	12,661,984
Issuance of common for over-allotment	432,000	43	1,983,226	-	-	1,983,269
Issuance of warrants for over-allotment	-	-	4,320	-	-	4,320
Issuance of common stock from exercise warrant	1000	-	5,000	-	-	5,000
Comprehensive loss	-	-	-	-	(14,345)	(14,345)
Net loss	-	-	-	(1,458,394)	-	(1,458,394)
Balance, June 30, 2021	5,476,918	\$ 548	\$ 31,139,486	\$ (16,140,089)	\$ (55,566)	\$ 14,944,379

See accompanying notes to unaudited condensed consolidated financial statements.

NEXTPLAT CORP AND SUBSIDIARIES
FKA: ORBSAT CORP
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED

	June 30, 2022	June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,505,944)	\$ (2,261,536)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Depreciation expense	199,065	134,448
Amortization of intangible asset	12,500	12,500
Amortization of convertible debt, net	-	1,425,366
Amortization of right to use	-	15,476
Stock based compensation	689,046	14,200
Gain on debt extinguishment	-	(20,832)
Change in operating assets and liabilities:		
Accounts receivable	4,921	(158,079)
Inventory	(350,729)	(790,536)
Unbilled revenue	(20,394)	(10,171)
VAT receivable	31,876	(279,215)
Prepaid expense	39,988	-
Other current assets	45,666	(3,664)
Accounts payable and accrued liabilities	22,354	662,022
Lease liabilities	(7,041)	(15,512)
Provision for income taxes	(39,905)	227
Contract liabilities	(9,655)	4,469
Net cash used in operating activities	<u>(1,888,252)</u>	<u>(1,270,837)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(395,245)	(27,248)
Net cash used in investing activities	<u>(395,245)</u>	<u>(27,248)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible note payable	-	350,000
Proceeds from (repayments) to note payable, related party, net	(35,308)	114,981
Proceeds from common stock offering	5,605,038	12,661,984
Proceeds from warrant offering	-	1,987,589
Repayments to note payable Coronavirus loans	(30,413)	-
Proceeds from exercise of warrant	-	5,000
Repayment of note payable	-	(121,848)
Net cash provided by financing activities	<u>5,539,317</u>	<u>14,997,706</u>
Effect of exchange rate on cash	(56,076)	(12,734)
Net increase (decrease) in cash	3,199,744	13,686,887
Cash beginning of period	17,267,978	728,762
Cash end of period	<u>\$ 20,467,722</u>	<u>\$ 14,415,649</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the period for		
Interest	\$ 6,102	\$ 3,228
Income tax	\$ 38,555	\$ -
Non-cash adjustments during the period for		
Beneficial conversion feature on convertible debt	\$ -	\$ 340,420
Recognition of operating lease liability	\$ 904,744	\$ -
Conversion of convertible debt into common shares	\$ -	\$ 1,644,268

See the accompanying notes to the unaudited condensed consolidated financial statements.

NEXTPLAT CORP AND SUBSIDIARIES
FKA: ORBSAT CORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial statements and do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The information furnished reflects all adjustments, consisting only of normal recurring items which are, in the opinion of management, necessary in order to make the financial statements not misleading. The unaudited financial statements for the three and six months ending June 30, 2022, are not necessarily indicative of the results for the remainder of the fiscal year. The consolidated financial statements as of December 31, 2021, have been audited by an independent registered public accounting firm. The accounting policies and procedures employed in the preparation of these condensed consolidated financial statements have been derived from the audited financial statements of the “Company” for the year ended December 31, 2021, which are contained in the Company’s annual report on Form 10-K as filed with the Securities and Exchange Commission (the “SEC”) on March 31, 2022. The consolidated balance sheet as of December 31, 2021 was derived from those financial statements.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”). The consolidated financial statements of the Company include the Company and its wholly-owned subsidiaries, Orbital Satcom Corp, Global Telesat Communications Ltd and NextPlat B.V. All material intercompany balances and transactions have been eliminated in consolidation.

Description of Business

Overview

Leveraging the e-commerce experience of the Company’s management team and the Company’s existing e-commerce platforms, the Company has embarked upon the rollout of a state-of-the-art e-commerce platform to collaborate with businesses to optimize their ability to sell their goods online, domestically, and internationally, and enabling customers and partners to optimize their e-commerce presence and revenue, which we expect will become the focus of the Company’s business in the future. Historically, the business of NextPlat has been, the provision of a comprehensive array of Satellite Industry communication services, and related equipment sales. As detailed in Online Storefronts and E-Commerce Platforms below, the Company operates two main e-commerce websites as well as 25 third-party e-commerce storefronts such as Alibaba, Amazon and Walmart. These e-commerce venues form an effective global network serving thousands of consumers, enterprises, and governments. NextPlat has announced its intention to broaden its e-commerce platform and is implementing comprehensive systems upgrade to support this initiative. The Company has also begun the design and development of a next generation platform for digital assets built for Web3 (an internet service built using decentralized blockchains). This new platform (“NextPlat Digital”) is currently in the design and development phase and will enable the use of a range of digital assets, such as non-fungible tokens (“NFTs”), in e-commerce and in community-building activities.

Online Storefronts and E-Commerce Platforms

We operate two e-commerce websites offering a range of MSS products and solutions through our subsidiaries, Orbital Satcom, which targets customers in North and South America, and GTC which targets customers in the UK, EU, Middle East, Asia and rest of the world. These websites produce sales and attract enquiries from customers and potential customers from all around the world. Over the long term, we plan to develop additional country-specific websites to target customers in South America, Asia and Europe where we anticipate there will be substantial further demand for our products.

In addition to our two main e-commerce websites, we make portable satellite voice, data and tracking solutions easier to find and buy online through our various third-party e-commerce storefronts such as Alibaba, Amazon and Walmart. We currently operate 25 storefronts across various countries in 5 continents. We have invested in personnel to translate our listings correctly in the different countries we are represented in and intend to regularly improve and increase our listings on all e-commerce sites. We currently have more than 9,000 product listings on all third-party sites and invest significantly in inventory to hold at Amazon's various fulfillment centers around the world to ensure that orders are shipped to customers as quickly as possible. The products include handheld satellite phones, personal and asset tracking devices, portable high-speed broadband terminals, and satellite Wi-Fi hotspots. Our Amazon Marketplaces represented approximately 49.5% and 64.6% of the Company's revenues during the six months ended June 30, 2022 and 2021, respectively. For the years ended December 31, 2021 and 2020, Amazon online marketplaces represented approximately 63.6% and 73.3% of total sales, respectively. We anticipate that these marketplaces will continue to represent a significant portion of our sales for the foreseeable future. Our e-commerce storefronts enable us to attract a significantly diversified level of sales from all over the world, ensuring we are not overly reliant on any single market or sector for our sales revenue. Furthermore, many products we sell require subscription-based services which allow us to increase our recurring revenue airtime sales.

With consumer behavior drastically changing because of COVID-19, e-commerce traffic witnessed double-digit gains in 2021 and 2020, respectively, as stores closed and shoppers used digital options. This significant change in consumer shopping habits resulted in a substantial increase of U.S., EU and U.K. consumers electing to shop online. During 2021, senior management of the Company determined to invest in a comprehensive systems upgrade project which commenced in September with the goal of building a state-of-the-art e-commerce platform. This implementation is anticipated to be substantially complete within the next six to nine months, and the Company intends to collaborate with businesses to optimize their ability to sell their goods online, domestically, and internationally, and enabling customers and partners to optimize their e-commerce presence and revenue.

NextPlat Digital

We intend to develop a next generation platform for digital assets built for Web3, an internet service built using decentralized blockchains. Our new platform ("NextPlat Digital"), which is currently in the design and development phase in collaboration with consultants and contracted developers, will initially enable the use of non-fungible tokens ("NFTs"), in e-commerce and in community-building activities. NextPlat Digital may in the future also enable the posting and use of other digital or "crypto" assets once applicable legal and regulatory requirements are addressed. As currently contemplated, NextPlat Digital will facilitate the creation/minting, purchase and sale of a broad range of non-yield-generating and non-fractionalized NFT products, including, but not limited to, art, music, collectables, digital real estate, video games, game items and certificates of authenticity. We also anticipate developing and deploying NFTs for use in tokenizing data for use in brand loyalty programs.

NextPlat Digital, as currently planned, will be used by us to create both (a) public marketplaces, for us and third-parties, where anyone with a crypto wallet or credit card can buy an NFT from an authorized user, or, if authorized, sell their own NFTs, and (b) private market places that only allow a particular company or entity to sell their own NFTs within a branded market (such as for the promotion of a particular brand or product). We anticipate that NextPlat Digital will be substantially complete within the next six to nine months.

The legal status of NFTs under a myriad of state and federal laws and regulatory regimes (including securities, banking, and commodities laws) is highly uncertain and unresolved, and the applicability of various of those regimes to any NFTs that we may propose to post on our platform is also unresolved. Our creation and operation of NextPlat Digital will present a number of new regulatory and legal compliance obligations for the Company. As an initial matter we will need to make a determination whether a particular NFT could reasonably be considered a security for federal and state law purposes, and if so we would be required to comply with the applicable securities registration requirements or obtain comfort that our activities would fall within applicable exemptions from registration. To the extent that we determine that a particular NFT could be deemed a “security” within the meaning of the U.S. federal and/or securities laws, we intend to obtain contractual comfort from licensed broker-dealer authorized to act as a trading system for those digital assets that such broker-dealer will comply with the applicable “Know Your Customer” (“KYC”) rules and custom and practice, as well as with the applicable Anti-Money Laundering laws and regulations (“AML”) and Combating the Financing of Terrorism (“CFT”), administered and enforced by the U.S. Treasury Financial Crimes and Enforcement Network discussed below, among others. We may have legal exposure for any alleged failures on the part of such licensed broker-dealer to fulfil its obligations under its contracts with us.

With respect to the securities status of an NFT that we propose to post to our platform, we will follow an internally developed model that will permit us to make a risk-based assessment regarding the likelihood that a particular NFT could be deemed a “security” within the meaning of the U.S. federal and/or state securities laws in determining if and how an NFT can be posted on our platform. This process will involve employees trained to identify the indicia of a “security” who will also work with outside legal counsel experienced in crypto asset regulatory matters to make a determination with respect to each NFT, or category of NFT, proposed to be posted on our platform. These processes and procedures are risk-based assessments and are not a legal standard or binding on regulators or courts. In the event an NFT or other digital asset is deemed by us, pursuant to the above analysis, to possess a reasonable likelihood of being deemed a security, we will (a) comply with applicable laws and regulations by forming, acquiring or engaging a licensed broker-dealer authorized to act as a trading system for those digital assets, or (b) transact in such digital assets offshore in a way that complies with applicable laws and regulations; or (c) not transact in the subject NFT. We expect our risk assessment policies will continuously evolve to take into account developments in case law, applicable facts, developments in technology, and changes in applicable regulatory schemes.

We do not currently intend to undertake or participate in “initial coin offerings”, the minting of “coins” or the mining of cryptocurrencies.

Irrespective of a particular NFT’s status as a security, we will need to assess whether we needed to comply with other applicable regulations and laws (including but not limited to AML and CFT regulations). If we are deemed to be involved in the exchange or transmission of value that substitutes for currency, or fall under other evolving requirements, we may be deemed to be a “money transmitter” and will be subject to AML and CFT regulations. Depending on the particular attributes of an NFT, the manner in which it is marketed, and the nature of the clientele, we could be subject to other legal and regulatory regimes as well. We will endeavor to comply with all applicable laws in connection with our NextPlat Digital business, but the uncertain application of those laws to our proposed business may create substantial risk to the Company.

When onboarding new users, we intend to utilize third-party tools to proactively screen for high-risk crypto wallets, including explicitly sanctioned addresses and addresses associated with sanctioned entities. Crypto wallets protect the identity of the owner of the wallet, store the owner’s private keys, secure and provide access by the owner to the cryptocurrency owned by it and allow the owner to send, receive, and transact business with cryptocurrencies. Such wallets by their nature obfuscate the identity of the owner of the wallet and limit access to the transaction history of that wallet and its owner. Consequently, crypto wallets and cryptocurrencies may be used by persons seeking to avoid legal oversight and to violate the law. For example, they can be used to launder money and to promote terrorism. The applicable legal requirements and our compliance obligations will vary depending on the nature of the client, the service or product provided and jurisdiction. For example, if we engage, form or acquire a broker dealer in order to post, trade or sell NFTs or other digital assets that are securities, we will attempt to fully comply with all applicable KYC, AML and CFT compliance requirements. If, on the other hand, we facilitate the distribution of free promotional corporate collectable NFTs that are not deemed to be securities, our compliance requirements will be significantly less. In either event there can be no assurance that our efforts to fully comply with applicable law will be successful.

In determining to engage in transactions in an NFT, we will attempt to comply with all applicable laws. However, given the substantial legal uncertainties that may be presented by those laws and given the informational constraints presented by crypto wallets we may not be successful in our efforts. As a consequence, we may be exposed to regulatory enforcement and civil or criminal sanction should a legal authority determine that our approach is inadequate or inappropriate, as well as to claims asserting civil liability. Moreover, governmental agencies may seek to apply laws to our NextPlat Digital business that we believe are inapplicable and may seek sanctions relating to our alleged failure to comply with those laws.

Communications Services

Through our Global Telesat Communications Ltd and Orbital Satcom Corp business units, we provide Mobile Satellite Services (“MSS”) solutions to fulfill the growing global demand for satellite-enabled voice, data, personnel and asset tracking, Machine-to-Machine (M2M) and Internet of Things (IoT) connectivity services. We provide these solutions for businesses, governments, military, humanitarian organizations, and individual users, enabling them to communicate, connect to the internet, track and monitor remote assets and lone workers, or request SOS assistance via satellite from almost anywhere in the world, even in the most remote and hostile of environments.

We provide voice, data communications, IoT and M2M services via Geostationary and Low Earth Orbit (“LEO”) satellite constellations and offer reliable connectivity in areas where terrestrial wireless or wireline networks do not exist or are limited, including remote land areas, open ocean, airways, the polar regions and regions where terrestrial networks are not operational, for example due to political conflicts and natural or man-made disasters.

We have expertise and long-term experience in providing tracking and monitoring services via satellite, specifically through the Globalstar Low Earth Orbit satellite network. We own unique network infrastructure devices, known as appliquéés, which are located in various Globalstar ground stations around the world and provide the signal receipt and processing technology that enables and powers the Globalstar simplex data service. Our ownership of these appliquéés provides us with competitive access to the global simplex data service which addresses the market demand for a small and cost-effective solution for sending data, such as geographic coordinates, from assets or individuals in remote locations to a central monitoring station and is used in numerous applications such as tracking vehicles, asset shipments, livestock, and monitoring unattended remote assets. In addition, we also provide tracking and monitoring solutions using Automatic Identification System (AIS), 2G-5G, Push-to-Talk and two-way radio technology.

We generate revenue from both the provision of services and the sale of equipment. Higher margin recurring service revenue from the sale of monthly, annual, and prepaid airtime or messaging plans has historically represented an increasing proportion of our revenue, and we expect that trend to continue as we introduce new products requiring associated airtime or messaging plans.

We provide our products and services directly to end users and reseller networks located both in the United States and internationally through our subsidiaries, U.S. based Orbital Satcom Corp (“Orbital Satcom”) and U.K. based Global Telesat Communications Limited (“GTC”). We have a physical presence in the United States and the United Kingdom, as well as an ecommerce storefront presence in 16 countries across 5 continents. We have a diverse geographical customer base having provided solutions to more than 50,000 customers located in more than 165 countries across most every continent in the world.

MSS Products

Our MSS products rely on satellite networks for voice, data and tracking connectivity and thus are not reliant on cell towers or other local infrastructure. As a result, our MSS solutions are suitable for recreational travelers and adventurers, government and military users, and corporations and individuals wishing to communicate or connect to the internet from remote locations, or in the event of an emergency such as a power outage, following a hurricane or other natural disaster during which regular cell phone, telephone and internet service may not be available.

Our satellite communications products enable users to make voice calls, send and receive text messages and emails, and transmit GPS location coordinates from virtually anywhere on the planet, no matter how remote the location and regardless of the availability of local communication infrastructure. Our range of satellite data products allow users around the world to connect to the internet, stream live video, and communicate via voice and data applications.

We are a provider of GPS enabled emergency locator distress beacons that can save lives, on land and at sea. Our distress beacons enable essential communication between our customers and search and rescue organizations during emergency situations and pinpoint locational information to Search and Rescue services, essential during an emergency.

We provide a wide range of satellite tracking devices used to monitor the location, movements, and history of almost anything that moves. We specialize in offering satellite tracking services through the Globalstar satellite network and have supplied tens of thousands of tracking devices which are used around the world to locate lone workers, track shipping containers, livestock, vehicles, and vessels along with many other types of assets.

The first product launched by the Company, SolarTrack, is a compact, lightweight, IoT tracking device powered by the sun and operating on one of the most modern satellite networks in the world. It is designed for tracking and monitoring anything that moves, or any remote asset used outdoors, almost anywhere in the world and we anticipate strong demand from customers looking for a low cost, low maintenance tracking device to monitor remote assets.

Mapping and Tracking Portal

Our advanced subscription-based mapping and tracking portal, GTCTrack, is available for use by registered customers who pay a monthly fee to access it. This mapping portal provides a universal and hardware-agnostic, cloud-based data visualization and management platform that allows managers to track, command, and control assets in near-real-time. Asset location reports including position, speed, altitude, heading and past location and movement history reports for a wide range of tracking devices and other products sold by us are available through GTCTrack.

Organizational History

The Company was originally incorporated in 1997 in Florida. On April 21, 2010, the Company merged with and into a wholly-owned subsidiary for the purpose of changing its state of incorporation to Delaware, effecting a 2:1 forward split of its common stock, and changing its name to EClips Media Technologies, Inc. On April 25, 2011, the Company changed its name to Silver Horn Mining Ltd. pursuant to a merger with a wholly owned subsidiary.

Global Telesat Communications Limited (“GTC”) was formed under the laws of England and Wales in 2008. On February 19, 2015, we entered into a share exchange agreement with GTC and all of the holders of the outstanding equity of GTC pursuant to which GTC became a wholly owned subsidiary of ours.

On March 28, 2014, we merged with a newly-formed wholly-owned subsidiary of ours solely for the purpose of changing our state of incorporation to Nevada from Delaware, effecting a 1:150 reverse split of our common stock, and changing our name to Great West Resources, Inc. in connection with the plans to enter into the business of potash mining and exploration. During late 2014, we abandoned our efforts to enter the potash business.

A wholly owned subsidiary, Orbital Satcom Corp. (“Orbital Satcom”), a Nevada corporation was formed on November 14, 2014.

On January 22, 2015, we changed our name to “Orbital Tracking Corp” from “Great West Resources, Inc.” pursuant to a merger with a newly formed wholly owned subsidiary.

Effective March 8, 2018, following the approval of a majority of our shareholders, we effected a reverse split of our common stock at a ratio of 1 for 150. On August 19, 2019, we effected a reverse split of our common stock at a ratio of 1 for 15. As a result of the reverse split, our common stock now has the CUSIP number: 68557F100. All share and per share, information in the accompanying consolidated financial statements and footnotes has been retroactively restated to reflect these reverse splits.

Also, on August 19, 2019, we changed our name to “Orbsat Corp” from “Orbital Tracking Corp.” pursuant to a merger with a newly formed wholly owned subsidiary.

On March 24, 2021, the Company's shareholders via majority shareholder consent authorized a stock split not to exceed 1 for 5 reverse stock split. A definitive Information Statement relating to the shareholder consent was filed with the SEC on March 13, 2021. The Company's Board of Directors subsequently approved a 1-for-5 reverse stock split. The Company has filed a Certificate of Change to its Amended and Restated Articles of Incorporation to effect a reverse stock split of its issued and outstanding common stock, at a ratio of 1-for-5. The effective time of the reverse stock split was 12:01 a.m. ET on May 28, 2021. The Company's common stock began trading on a split-adjusted basis commencing upon market open on May 28, 2021. The common stock has been assigned a new CUSIP number, 68557F 209. The warrants were assigned the CUSIP number, 68557F 118. No fractional shares of common stock were issued as a result of the reverse stock split. Stockholders of record who would otherwise be entitled to receive a fractional share were received a whole share.

On January 18, 2022, the Company filed a Certificate of Amendment of the Amended and Restated Articles of Incorporation of the Company with the Secretary of State of the State of Nevada in order to change the Company's corporate name from Orbsat Corp to NextPlat Corp. This name change was effective as of January 21, 2022. The name change was approved by the Company's stockholders at the 2021 annual meeting of stockholders held on December 16, 2021.

On June 22, 2022, the Company formed NextPlat B.V., a Netherlands limited liability company, as a wholly-owned subsidiary. At present, NextPlat B.V., has no active operations.

All information presented in this Quarterly Report on Form 10-Q other than in Company's consolidated financial statements and the notes thereto assumes a 1-for-5 reverse stock split of Company's outstanding shares of common stock and unless otherwise indicated, all such amounts and corresponding conversion price or exercise price data set forth in this Quarterly Report on Form 10-Q have been adjusted to give effect to such assumed reverse stock split.

NEXTPLAT CORP AND SUBSIDIARIES
FKA: ORBSAT CORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial condition, and revenues and expenses for the years then ended. Actual results may differ significantly from those estimates. Significant estimates made by management include, but are not limited to, the assumptions used to calculate stock-based compensation, derivative liabilities and common stock issued for services.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. The Company places its cash with a high credit quality financial institution. The Company's account at this institution is insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. All cash amounts in excess of \$250,000, \$19,920,186, are unsecured. To reduce its risk associated with the failure of such financial institution, the Company evaluates at least annually the rating of the financial institution in which it holds deposits.

Accounts receivable and allowance for doubtful accounts

The Company has a policy of reserving for questionable accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are offset against sales and relieved from accounts receivable, after all means of collection have been exhausted and the potential for recovery is considered remote. As of June 30, 2022, and December 31, 2021, there were no allowances for doubtful accounts.

NEXTPLAT CORP AND SUBSIDIARIES
FKA: ORBSAT CORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are valued at the lower of cost or net realizable value, using the first-in first-out cost method. The Company assesses the valuation of its inventories and reduces the carrying value of those inventories that are obsolete or in excess of the Company's forecasted usage to their estimated net realizable value. The Company estimates the net realizable value of such inventories based on analysis and assumptions including, but not limited to, historical usage, expected future demand and market requirements. A change to the carrying value of inventories is recorded to cost of goods sold.

Prepaid expenses

Prepaid expenses amounted to \$106,947 and \$146,935, at June 30, 2022 and December 31, 2021, respectively. Prepaid expenses include prepayments in cash for rent, insurance and software license fees which are being amortized over the terms of the respective agreement. The current portion consists of costs paid for future services which will occur within a year.

Foreign Currency Translation

The Company's reporting currency is U.S. Dollars. The accounts of one of the Company's subsidiaries, GTCL, is maintained using the appropriate local currency, Great British Pound, as the functional currency. All assets and liabilities are translated into U.S. Dollars at balance sheet date, shareholders' equity is translated at historical rates and revenue and expense accounts are translated at the average exchange rate for the year or the reporting period. The translation adjustments are reported as a separate component of stockholders' equity, captioned as accumulated other comprehensive (loss) gain. Transaction gains and losses arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the statements of operations.

The relevant translation rates are as follows: for the six months ended June 30, 2022, closing rate at 1.2165 US\$: GBP, quarterly average rate at 1.256640 US\$: GBP and yearly average rate at 1.29979 US\$: GBP, for the six months ended June 30, 2021, closing rate at 1.382800 US\$: GBP, quarterly average rate at 1.397146 US\$: GBP and yearly average rate at 1.388107 US\$: GBP, for the year ended 2021 closing rate at 1.353372 US\$: GBP, yearly average rate at 1.375083 US\$: GBP.

Revenue Recognition and Unearned Revenue

The Company recognizes revenue from satellite services when earned, as services are rendered or delivered to customers. Equipment sales revenue is recognized when the equipment is delivered to and accepted by the customer. Only equipment sales are subject to warranty. Historically, the Company has not incurred significant expenses for warranties. Equipment sales which have been prepaid, before the goods are shipped are recorded as contract liabilities and once shipped is recognized as revenue. The Company also records as contract liabilities, certain annual plans for airtime, which are paid in advance. Once airtime services are incurred, they are recognized as revenue. Unbilled revenue is recognized for airtime plans whereby the customer is invoiced for its data usage the following month after services are incurred.

The Company's customers generally purchase a combination of our products and services as part of a multiple element arrangement. The Company's assessment of which revenue recognition guidance is appropriate to account for each element in an arrangement can involve significant judgment. This assessment has a significant impact on the amount and timing of revenue recognition.

NEXTPLAT CORP AND SUBSIDIARIES
FKA: ORBSAT CORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy a performance obligation. The five-step model is applied to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services transferred to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, we assess the goods or services promised within each contract and determine those that are performance obligations and assess whether each promised good or service is distinct. We then recognize revenue in the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

In accordance with ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedient*, which is to (1) clarify the objective of the collectability criterion for applying paragraph 606-10-25-7; (2) permit an entity to exclude amounts collected from customers for all sales (and other similar) taxes from the transaction price; (3) specify that the measurement date for noncash consideration is contract inception; (4) provide a practical expedient that permits an entity to reflect the aggregate effect of all modifications that occur before the beginning of the earliest period presented when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations; (5) clarify that a completed contract for purposes of transition is a contract for which all (or substantially all) of the revenue was recognized under legacy GAAP before the date of initial application, and (6) clarify that an entity that retrospectively applies the guidance in Topic 606 to each prior reporting period is not required to disclose the effect of the accounting change for the period of adoption. The amendments of this ASU are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. There was no impact as a result of adopting this ASU on the financial statements and related disclosures. Based on the terms and conditions of the product arrangements, the Company believes that its products and services can be accounted for separately as its products and services have value to the Company's customers on a stand-alone basis. When a transaction involves more than one product or service, revenue is allocated to each deliverable based on its relative fair value; otherwise, revenue is recognized as products are delivered or as services are provided over the term of the customer contract.

Contract liabilities is shown separately in the unaudited condensed consolidated balance sheets as current liabilities. At June 30, 2022 and December 31, 2021, we had contract liabilities of approximately \$27,110 and \$36,765, respectively.

Cost of Product Sales and Services

Cost of sales consists primarily of materials, airtime and overhead costs incurred internally and amounts incurred to contract manufacturers to produce our products, airtime and other implementation costs incurred to install our products and train customer personnel, and customer service and third-party original equipment manufacturer costs to provide continuing support to our customers. There are certain costs which are deferred and recorded as prepaids, until such revenue is recognized. Refer to revenue recognition above as to what constitutes deferred revenue.

Shipping and handling costs are included as a component of costs of product sales in the Company's consolidated statements of operations because the Company includes in revenue the related costs that the Company bills its customers.

Intangible assets

Intangible assets include customer contracts purchased and recorded based on the cost to acquire them. These assets are amortized over 10 years. Useful lives of intangible assets are periodically evaluated for reasonableness and the assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

NEXTPLAT CORP AND SUBSIDIARIES
FKA: ORBSAT CORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation. Depreciation is based on the estimated service lives of the depreciable assets and is calculated using the straight-line method. Expenditures that increase the value or productive capacity of assets are capitalized. Fully depreciated assets are retained in the property and equipment, and accumulated depreciation accounts until they are removed from service. When property and equipment are retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. Repairs and maintenance are expensed as incurred. Leasehold improvements have an estimated service life of the term of the respective lease.

The estimated useful lives of property and equipment are generally as follows:

	Years
Office furniture and fixtures	4
Computer equipment	4
Rental equipment	4
Leasehold improvements	5
Appliques	10
Website development	2

Impairment of long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable, or at least annually. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value. The Company did not consider it necessary to record any impairment charges during the periods ended June 30, 2022 and June 30, 2021, respectively.

Accounting for Derivative Instruments

Derivatives are required to be recorded on the balance sheet at fair value. These derivatives, including embedded derivatives in the Company's structured borrowings, are separately valued and accounted for on the Company's balance sheet. Fair values for exchange traded securities and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market-based pricing models incorporating readily observable market data and requiring judgment and estimates.

The Company did not identify any assets or liabilities that are required to be presented on the consolidated balance sheets at fair value in accordance with the accounting guidance. The carrying amounts reported in the balance sheet for cash, accounts payable, and accrued expenses approximate their estimated fair market value based on the short-term maturity of the instruments.

NEXTPLAT CORP AND SUBSIDIARIES
FKA: ORBSAT CORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock Based Compensation

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the consolidated financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Pursuant to ASC Topic 718, for share-based payments to consultants and other third-parties, compensation expense is determined at the “measurement date.” The expense is recognized over the vesting period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. The Company initially records compensation expense based on the fair value of the award at the reporting date. Further, ASC Topic 718, provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718, such as the repricing of share options, which would revalue those options and the accounting for the cancellation of an equity award whether a replacement award or other valuable consideration is issued in conjunction with the cancellation. If not, the cancellation is viewed as a replacement and not a modification, with a repurchase price of \$0.

Income Taxes

The Company accounts for income taxes pursuant to the provision of ASC 740-10, “Accounting for Income Taxes” (“ASC 740-10”) which requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach require the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized.

The Company follows the provision of ASC 740-10 related to Accounting for Uncertain Income Tax Positions. When tax returns are filed, there may be uncertainty about the merits of positions taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions.

Tax positions that meet the more likely than not recognition threshold is measured at the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefit associated with tax positions taken that exceed the amount measured as described above should be reflected as a liability for uncertain tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

The Company believes its tax positions are all more likely than not to be upheld upon examination. As such, the Company has not recorded a liability for uncertain tax benefits.

The Company has adopted ASC 740-10-25, “Definition of Settlement,” which provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits and provides that a tax position can be effectively settled upon the completion and examination by a taxing authority without being legally extinguished. For tax positions considered effectively settled, an entity would recognize the full amount of tax benefit, even if the tax position is not considered more likely than not to be sustained based solely on the basis of its technical merits and the statute of limitations remains open. The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed.

Leases

Effective January 1, 2019, the Company accounts for its leases under ASC 842, *Leases*. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the consolidated balance sheet as both a right of use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company’s incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right of use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right of use asset result in straight-line rent expense over the lease term. For finance leases, interest on the lease liability and the amortization of the right of use asset results in front-loaded expense over the lease term. Variable lease expenses are recorded when incurred.

In calculating the right of use asset and lease liability, the Company has elected to combine lease and non-lease components. The Company excludes short-term leases having initial terms of 12 months or less from the new guidance as an accounting policy election and recognizes rent expense on a straight-line basis over the lease term.

At June 30, 2022 and December 31, 2021, the Company had aggregated current and long-term operating lease liabilities of \$899,987 and \$19,763, respectively, and right of use assets of \$909,908 and \$22,643, respectively.

The Company continues to account for leases in the prior period financial statements under ASC Topic 840.

NEXTPLAT CORP AND SUBSIDIARIES
FKA: ORBSAT CORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and Development

The Company accounts for research and development costs in accordance with the Accounting Standards Codification subtopic 730-10, Research and Development (“ASC 730-10”). Under ASC 730-10, all research and development costs must be charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred. For the six months ended June 30, 2022 and the June 30, 2021, there were no expenditures on research and development.

Earnings per Common Share

Net income (loss) per common share is calculated in accordance with ASC Topic 260: Earnings per Share (“ASC 260”). Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. The computation of diluted net loss per share does not include dilutive common stock equivalents in the weighted average shares outstanding as they would be anti-dilutive. In periods where the Company has a net loss, all dilutive securities are excluded.

The following are dilutive common stock equivalents during the year ended:

	June 30, 2022	June 30, 2021
Stock Options	929,701	550,009
Stock Warrants	2,530,092	3,455,000
Total	3,459,793	4,005,009

Related Party Transactions

A party is considered to be related to the Company if the party directly or indirectly or through one or more intermediaries, controls, is controlled by, or is under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. A party which can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests is also a related party, (see Note 11).

Recent Accounting Pronouncements

NEXTPLAT CORP AND SUBSIDIARIES
FKA: ORBSAT CORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Pronouncements Recently Adopted

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share* (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40). ASU 2021-04 clarifies and reduces diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The ASU provides guidance to clarify whether an issuer should account for a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as (1) an adjustment to equity and, if so, the related earnings per share effects, if any, or (2) an expense and, if so, the manner and pattern of recognition. ASU 2021-04 is effective for annual beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements.

In October 2021, the FASB issued guidance which requires companies to apply Topic 606, Revenue from Contracts with Customers, to recognize and measure contract assets and contract liabilities from contracts with customers acquired in a business combination. Public entities must adopt the new guidance for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact and timing of adoption of this guidance

Any new accounting standards, not disclosed above, that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

NEXTPLAT CORP AND SUBSIDIARIES
FKA: ORBSAT CORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - INVENTORIES

At June 30, 2022 and December 31, 2021, inventories consisted of the following:

	June 30, 2022	December 31, 2021
Finished goods	\$ 1,370,425	\$ 1,019,696
Less reserve for obsolete inventory	-	-
Total	\$ 1,370,425	\$ 1,019,696

For the six months ended June 30, 2022 and the year ended December 31, 2021, the Company did not make any change for reserve for obsolete inventory.

NOTE 3 – VAT RECEIVABLE

On January 1, 2021, VAT rules relating to imports and exports between the UK and EU changed as a result, of the UK’s departure from the EU, (“BREXIT”). For the six months ended June 30, 2022 and the year ended December 31, 2021, the Company recorded a receivable in the amount of \$459,541 and \$491,417, respectively, for amounts available to reclaim against the tax liability from UK and EU countries. Subsequently to June 30, 2022, the Company has received a total of £53,473 or \$64,451, using an exchange rate close of 1.2053 GBP:USD, in regards to this receivable.

NOTE 4 – PREPAID EXPENSES

Prepaid expenses amounted to \$106,947 and \$146,935, at June 30, 2022 and December 31, 2021, respectively. Prepaid expenses include prepayments in cash for rent, insurance and software license fees which are being amortized over the terms of the respective agreement. The current portion consists of costs paid for future services which will occur within a year.

NOTE 5 – PROPERTY AND EQUIPMENT

At June 30, 2022 and December 31, 2021, property and equipment, net of fully depreciated assets, consisted of the following:

	June 30, 2022	December 31, 2021
Office furniture and fixtures	\$ 95,917	\$ 16,969
Computer equipment	68,874	67,458
Rental equipment	47,906	53,296
Leasehold improvements	32,118	-
Appliques	2,160,096	2,160,096
Website development	519,950	247,541
Less accumulated depreciation	(1,681,230)	(1,502,501)
Total	\$ 1,243,631	\$ 1,042,859

Depreciation expense was \$199,065 and \$134,448 for the six months ended June 30, 2022 and 2021, respectively. For the year ended December 31, 2021, depreciation expense was \$292,102.

NOTE 6 – INTANGIBLE ASSETS

On December 10, 2014, the Company entered the satellite voice and data equipment sales and service business through the purchase of certain contracts from Global Telesat Corp. (“GTC”). These contracts permit the Company to utilize the Globalstar, Inc. and Globalstar LLC (collectively, “Globalstar”) mobile satellite voice and data network. The purchase price for the contracts of \$250,000 was paid by the Company under an asset purchase agreement by and among the Company, its wholly owned subsidiary, Orbital Satcom, GTC and World Surveillance Group, Inc.

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NOTE 6 – INTANGIBLE ASSETS (continued)

Included in the purchased assets are: (i) the rights and benefits granted to GTC under each of the Globalstar Contracts, subject to certain exclusions, (ii) account and online access to the Globalstar Cody Simplex activation system, (iii) GTC’s existing customers who are serviced pursuant to the Globalstar Contracts (only as to their business directly and exclusively related to the Globalstar Contracts), and (iv) all of GTC’s rights and benefits directly and exclusively related to the Globalstar Contracts.

Amortization of customer contracts are included in depreciation and amortization. For the six months ended June 30, 2022 and 2021, the Company amortized \$12,500 and \$12,500, respectively. Future amortization of intangible assets is as follows:

2022	\$	12,500
2023		25,000
2024		25,000
Total	\$	<u>62,500</u>

For the six months ended June 30, 2022 and 2021, there were no additional expenditures on research and development.

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED OTHER LIABILITIES

Accounts payable and accrued other liabilities consisted of the following:

	June 30, 2022	December 31, 2021
Accounts payable	\$ 898,752	\$ 846,380
Rental deposits	3,649	2,030
Customer deposits payable	57,976	59,733
Accrued wages & payroll liabilities	17,389	20,107
VAT liability & sales tax payable	12,739	6,203
Pre-merger accrued other liabilities	88,448	88,448
Accrued interest	381	138
Accrued other liabilities	6,364	40,305
Total	<u>\$ 1,085,698</u>	<u>\$ 1,063,344</u>

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NOTE 8 - CORONAVIRUS LOANS

On April 20, 2020, the Board of Directors the Company (the “Board”), approved for its wholly owned UK subsidiary, Global Telesat Communications LTD (“GTC”), to apply for a Coronavirus Interruption Loan, offered by the UK government, for an amount up to £250,000. On July 16, 2020 (the “Issue Date”), GTC, entered into a Coronavirus Interruption Loan Agreement (“Debenture”) by and among the Company and HSBC UK Bank PLC (the “Lender”) for an amount of £250,000, or USD \$338,343 at an exchange rate of GBP:USD of 1.3533720. The Debenture bears interest beginning July 16, 2021, at a rate of 3.99% per annum over the Bank of England Base Rate (0.1% as of July 16, 2020), payable monthly on the outstanding principal amount of the Debenture. The Debenture has a term of 6 years from the date of drawdown, July 15, 2026, the “Maturity Date”. The first repayment of £4,166.67 (exclusive of interest) was made 13 month(s) after July 16, 2020. Voluntary prepayments are allowed with 5 business days’ written notice and the amount of the prepayment is equal to 10% or more of the limit or, if less, the balance of the debenture. The Debenture is secured by all GTC’s assets as well as a guarantee by the UK government, with the proceeds of the Debenture are to be used for general corporate and working capital purposes. The Debenture includes customary events of default, including, among others: (i) non-payment of amounts due thereunder, (ii) non-compliance with covenants thereunder, (iii) bankruptcy or insolvency (each, an “Event of Default”). Upon the occurrence of an Event of Default, the Debenture becomes payable upon demand. As of June 30, 2022, and December 31, 2021, the Company has recorded \$60,825 and \$56,391 as current portion of notes payable and \$187,544 and \$253,757 as notes payable long term, respectively.

On May 8, 2020, NextPlat Corp was approved for the US funded Payroll Protection Program, (“PPP”) loan. The loan was for \$20,832 and had a term of 2 years, of which the first 6 months are deferred at an interest rate of 1%. On May 23, 2021, BlueVine, the Company’s SBA approved mortgage lender and originator, notified the Company, that the loan in the amount of \$20,832, had been forgiven. As of December 31, 2021, the Company has recorded \$20,832 as forgiveness of debt.

NOTE 9 - STOCKHOLDERS’ EQUITY

Capital Structure

On March 28, 2014, in connection with the Reincorporation (see Note 1), all share and per share values for all periods presented in the accompanying condensed consolidated financial statements are retroactively restated for the effect of the Reincorporation.

On March 5, 2016, the Company shareholders voted in favor of an amendment to its Articles of Incorporation to increase the total number of shares of authorized capital stock to 800,000,000 shares consisting of (i) 750,000,000 shares of common stock and (ii) 50,000,000 shares of preferred stock from 220,000,000 shares consisting of (i) 200,000,000 shares of common stock and (ii) 20,000,000 shares of preferred stock.

Effective March 8, 2018, we conducted a reverse split of our common stock at a ratio of 1 for 150. All share and per share information in the accompanying condensed consolidated financial statements and footnotes has been retroactively restated to reflect the reverse split.

On July 24, 2019, the Company filed a Certificate of Change (the “Certificate of Change”) with the Nevada Secretary of State. The Certificate of Change provides for (i) a 1-for-15 reverse split (the “Reverse Split”) of the Company’s common stock, \$0.0001 par value per share, and the Company’s preferred stock, \$0.0001 par value per share, (ii) a reduction in the number of authorized shares of common stock in direct proportion to the Reverse Split (i.e. from 750,000,000 shares to 50,000,000 shares), and (iii) a reduction in the number of authorized shares of preferred stock in direct proportion to the Reverse Split (i.e. from 50,000,000 shares to 3,333,333 shares). No fractional shares will be issued in connection with the Reverse Split. Stockholders who otherwise would be entitled to receive fractional shares of common stock or preferred stock, as the case may be, will have the number of post-Reverse Split shares to which they are entitled rounded up to the nearest whole number of shares. No stockholders will receive cash in lieu of fractional shares. The Reverse Split was approved by FINRA on August 19, 2019.

NEXTPLAT CORP AND SUBSIDIARIES
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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - STOCKHOLDERS' EQUITY (continued)

On May 28, 2021, the Company effected a reverse stock split of its common stock at a ratio of 1-for-5 (the "Reverse Split"). No fractional shares of common stock were issued as a result of the Reverse Split. Stockholders of record who were otherwise entitled to receive a fractional share received a whole share. The conversion or exercise prices of Company's issued and outstanding convertible securities, stock options and warrants will be adjusted accordingly. All information presented in this Quarterly Report on Form 10-Q, assumes a 1-for-5 reverse stock split of Company's outstanding shares of common stock, and unless otherwise indicated, all such amounts and corresponding conversion price or exercise price data set forth in this Quarterly Report on Form 10-Q have been adjusted to give effect to such assumed reverse stock split.

Listing on the Nasdaq Capital Market

Our common stock and warrants have been trading on the Nasdaq Capital Market under the symbols "NXPL" and "NXPLW," respectively, since January 21, 2022. Prior to January 21, 2022, our common stock and warrants were traded on the Nasdaq Capital Market under the symbols "OSAT" and "OSATW," respectively.

The authorized capital of the Company consists of 50,000,000 shares of common stock, par value \$0.0001 per share and 3,333,333 shares of preferred stock, par value \$0.0001 per share. As of June 30, 2022, and December 31, 2021, there were and 9,293,096 and 7,053,146 shares of common stock and 0 shares of preferred stock issued and outstanding, respectively.

Preferred Stock

As of June 30, 2022, there were 3,333,333 shares of Preferred Stock authorized.

As of June 30, 2022, there were no shares of Series A, B, C, D, E, F, G, H, I, J, K and L convertible preferred stock authorized, and no shares issued and outstanding.

NEXTPLAT CORP AND SUBSIDIARIES
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NOTE 9 - STOCKHOLDERS' EQUITY (continued)

Warrants

As of June 30, 2022, there were 2,836,092 registered warrants to purchase common stock authorized of which 2,530,092 registered warrants were issued and outstanding, at an exercise price of \$5.00 and unregistered underwriter warrants of 144,000 issued and outstanding, at an exercise price of \$5.50. The warrants expire in June of 2026.

A summary of the status of the Company's total outstanding warrants and changes during the year ended December 31, 2021 and the six months ended June 30, 2022 is as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Balance at January 1, 2021	800	\$ 300.00	1.37
Granted	3,456,000	5.00	-
Exercised	(925,908)	5.00	-
Forfeited	-	-	-
Cancelled	(800)	300.00	-
Balance outstanding and exercisable at December 31, 2021	<u>2,530,092</u>	<u>\$ 5.00</u>	<u>4.42</u>
Balance at January 1, 2022	2,530,092	\$ 5.00	4.42
Granted	-	-	-
Exercised	-	-	-
Forfeited	-	-	-
Cancelled	-	-	-
Balance outstanding and exercisable at June 30, 2022	<u>2,530,092</u>	<u>\$ 5.00</u>	<u>3.93</u>

Common Stock

As of June 30, 2022, there were 50,000,000 shares of common stock authorized and 9,293,096 shares issued and outstanding.

January 2022 Private Placement of Common Stock

On December 31, 2021, after markets closed, a securities purchase agreement (the "Purchase Agreement") was circulated to, and signatures were received from, certain institutional and accredited investors (the "December Investors") in connection with the sale in a private placement by the Company of 2,229,950 shares of the Company's common stock (the "December Offering"). On January 2, 2022, the Company delivered to December Investors a fully executed Purchase Agreement, which was dated December 31, 2021. The purchase price for the common stock sold in the December Offering was \$3.24 per share, the closing transaction price reported by Nasdaq on December 31, 2021.

The closing of the December Offering occurred on January 5, 2022. The Company received gross proceeds from the sale of the common stock in the December Offering of approximately \$7.2 million. The Company intends to use the proceeds from the December Offering for general corporate purposes, including potential acquisitions and joint ventures. Approximately 73% of funds raised in the December Offering were secured from existing shareholders and from the members of the Company's senior management and Board of Directors.

In connection with the December Offering, the Company entered into a registration rights agreement with the December Investors (the "Registration Rights Agreement"), pursuant to which, among other things, the Company agreed to prepare and file with the SEC a registration statement to register for resale the shares of the Company's common stock sold in the Offering.

The shares of common stock offered and sold in the December Offering were sold in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act and corresponding provisions of state securities or "blue sky" laws.

The terms of the transaction disclosed above, including the provisions of the Purchase Agreement and Registration Rights Agreement, were approved by the Board of Directors; and because some of the securities were offered and sold to officers and directors of the Company, such terms were separately reviewed and approved by the Audit Committee of the Board of Directors.

On January 5, 2022, the Company issued 2,229,950 shares of common stock pursuant to a private placement offering at a per share price of \$3.24, resulting in gross proceeds of \$7,225,038. Legal and registration fees amounted to \$220,000, resulting in net proceeds of \$7,005,038. Prior to the private placement close, proceeds of \$1,400,000, were received and recorded as a stock subscription payable, for the year ended December 31, 2021.

Restricted Stock Award

On January 21, 2022, the Company issued 10,000 shares of common stock, pursuant to a restricted stock award, "RSA" granted on January 7, 2022 and effective on January 20, 2022. The award is for 20,000 restricted shares of common, which vest in two equal installments, the first on effective date and the remaining on the one year anniversary of the effective date, with a fair market value of \$3.48 per share, on the date of issuance. All shares were fully vested and upon issuance resulted in stock-based compensation of \$34,800. Shares were issued in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, as there was no general solicitation, and the transaction did not involve a public offering.

On May 23, 2021, the Company entered a three (3) year Employment Agreement (the “May Agreement”) with Mr. Charles M. Fernandez to serve as Chairman of the Board. However, two weeks later on June 2, 2021, the Company entered into a new employment agreement (the “June Agreement”) with Mr. Fernandez, which superseded and replaced “the May Agreement.” The June Agreement has an initial term of 5 years effective on May 28, 2021. Mr. Fernandez received the award of restricted stock with a grant date fair value equal to \$3,000,000 determined at the per unit offering price in the June Offering (\$5 per Unit) (the “RSA”), which RSA will vest 1/3 at each of the three anniversaries of the grant date. The Grant Date for the RSA is May 28, 2021, as determined pursuant to the June Agreement. Notwithstanding the vesting schedule, full vesting will occur upon a Change in Control, as that term is defined in the Restricted Stock Agreement pursuant to which the RSA was made (the “June Restricted Stock Agreement”). If Mr. Fernandez’s employment is terminated for any reason at any time by the Company prior to the full vesting of the RSA without “Cause” (as that term is defined in the June Agreement), the RSA will vest and Mr. Fernandez will receive all right, title and interest in the balance of the securities granted to him in the RSA, in regard to the restricted stock award. The Company at its sole expense is obligated to register for reoffer and resale by Mr. Fernandez the securities granted to him pursuant to the May Restricted Stock Agreement.

For the six months ended June 30, 2022, pursuant to Mr. Fernandez employment agreement, the “June Agreement”, see Note 12, the Company recorded stock-based compensation and additional paid in capital, in the amount of \$654,246. The value of the award for the six months ended June 30, 2022 and the year ended December 31, 2021 was \$297,534 and \$356,712 , respectively. The company has charged the full valuation since inception to its current period. The prior year charge had not been recognized and was deemed as immaterial in scope for further adjustments. The award is valued over the service period of the June Agreement, five years from the date of grant, May 28, 2021. On May 28, 2022, 200,000 of the RSA or one third of the award, became vested and issuable. On July 22, 2022, the Company issued 200,000 of restricted common stock, see Note 14.

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NOTE 9 - STOCKHOLDERS' EQUITY (continued)

Stock Options

A summary of the status of the Company's outstanding stock options and changes during the six months ended June 30, 2022 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Balance at January 1, 2021	600,009	\$ 2.35	9.91
Granted	400,000	-	-
Exercised	(19,200)	-	-
Forfeited	(917)	-	-
Cancelled	(50,000)	-	-
Balance outstanding and exercisable at December 31, 2021	929,892	\$ 3.53	7.36
Balance at January 1, 2022	929,892	\$ 3.53	7.36
Granted	-	-	-
Exercised	-	-	-
Forfeited	(191)	-	-
Cancelled	-	-	-
Balance outstanding and exercisable at June 30, 2022	929,701	\$ 3.42	6.87

NOTE 10 - STOCK SUBSCRIPTION PAYABLE

On December 31, 2021, after markets closed, a securities purchase agreement (the "Purchase Agreement") was circulated to, and signatures were received from, certain institutional and accredited investors (the "December Investors") in connection with the sale in a private placement by the Company of 2,229,950 shares of the Company's common stock (the "December Offering"). On January 2, 2022, the Company delivered to December Investors a fully executed Purchase Agreement, which was dated December 31, 2021. The purchase price for the common stock sold in the December Offering was \$3.24 per share, the closing transaction price reported by Nasdaq on December 31, 2021.

For the six months ended June 30, 2022 and for the year ended December 31, 2021, the Company received gross proceeds of \$0 and \$1,400,000 of the \$7,225,038, pursuant to the December Offering, respectively. On January 5, 2022, the Company received an additional \$5,825,038, resulting in the issuance of 2,229,950 shares of the Company's common stock, eliminating the stock subscription payable as well as, the closing of the offering.

NOTE 11 - RELATED PARTY TRANSACTIONS

As of June 30, 2022, total related party payments due as of June 30, 2022, and December 31, 2021, are \$0 and \$35,308, respectively. These related party payables were non-interest bearing.

The Company's UK subsidiary, GTC had an over-advance line of credit with HSBC, for working capital needs, which was not renewed by the Company on December 31, 2021. The over-advance limit was £25,000 or \$33,834 at an exchange rate of GBP:USD 1.353372, with interest at 5.50% over Bank of England's base rate or current rate of 6.25% variable. The advance was guaranteed by David Phipps, the Company's President and Chief Executive Officer of Global Operations. The Company uses an American Express account for Orbital Satcom Corp and an American Express account for GTC, both in the name of David Phipps who personally guarantees the balance owed.

The Company employs three individuals who are related to Mr. Phipps. These three individuals earned gross wages totaling \$71,899 and \$76,416 for the six months ended June 30, 2022 and 2021, respectively.

The Company retained the services of the spouse of Mr. Fernandez for consulting fees of \$8,960 for the six months ended June 30, 2022.

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NOTE 12 - COMMITMENTS AND CONTINGENCIES

COVID-19

The impact of the COVID-19 pandemic has rapidly evolved around the globe, causing disruption in the U.S. and global economies. Although the global economy continued reopening in early 2022 and robust economic activity has supported a continued recovery, certain geographies, most notably China, have experienced setbacks.

The uncertainty surrounding the COVID-19 pandemic, including uncertainty regarding new variants of COVID-19 that have emerged and other factors have and may continue to contribute to significant volatility in the global markets. While vaccine availability and uptake has increased, the longer-term macro-economic effects on global supply chains, inflation, labor shortages and wage increases continue to impact many industries. COVID-19 and the current financial, economic and capital markets environment, and future developments in these and other areas present uncertainty and risk with respect to our performance, financial condition, and results of operations.

The ultimate magnitude of COVID-19, including the full extent of the material negative impact on our financial and operational results, will depend on future developments. The resumption of our normal business operations may be delayed or constrained by lingering effects of COVID-19 on our customers, suppliers and/or third-party service providers. Furthermore, the extent to which our mitigation efforts are successful, if at all, is not currently ascertainable. Due to the daily evolution of the COVID-19 pandemic and the responses to curb its spread, we cannot predict the full impact of the COVID-19 pandemic on our business and results of operations, but our business, financial condition, results of operations and cash flows have already been materially adversely impacted, and we anticipate they will continue to be adversely affected by the COVID-19 pandemic and its negative effects on global economic conditions. Any recovery from the COVID-19 pandemic and related economic impact may also be slowed or reversed by a variety of factors, such as any increase in COVID-19 infections. Even after the COVID-19 pandemic has subsided, we may continue to experience adverse impacts to our business as a result of its national and, to some extent, global economic impact, including the current recession and any recession that may occur in the future.

The success of our business depends on our global operations, including our supply chain and consumer demand, among other things. As a result of COVID-19, we have experienced shortages in inventory due to manufacturing issues, a reduction in the volume of sales in some parts of our business, such as rental sales and direct website sales, and a reduction in personnel due to lockdown related issues. Our results of operations for the six months ended June 30, 2022 and for the years ended December 31, 2021 and December 31, 2020, reflect this impact; however, we expect that this trend may continue, and the full extent of the impact is unknown. In recent months, some governmental agencies in the US and Europe, where we produce the largest percentage of our sales, have lifted certain restrictions. However, if customer demand continues to be low, our future equipment sales, subscriber activations and sales margin will be impacted.

Appointment of Director; Compensatory Arrangements of Director

On January 7, 2022, the Board appointed Rodney Barreto as a new director to the Board, effective January 20, 2022. No decision has been made with respect to the naming of Mr. Barreto to any regular committees of the Board.

In connection with Mr. Barreto's appointment to the Board, the Company executed a Director Services Agreement (the "Director Agreement") with Mr. Barreto on January 11, 2022. The Director Agreement has a two-year term (subject to the director's nomination and election) and provides for a cash retainer of \$48,000 per year, plus an equity award of 20,000 shares of restricted stock, half of which will be issued and vest on the day of grant, with the remaining half vesting and being issued on the first anniversary of the grant date. The Director Agreement also contains customary confidentiality and indemnification provisions and require the Company to maintain a specified amount of director and officer insurance. There are no arrangements or understandings between Mr. Barreto and any other person pursuant to which Mr. Barreto was selected as a director

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NOTE 12 - COMMITMENTS AND CONTINGENCIES (continued)

Employment Agreements

2021 Phipps Employment Agreement

On June 5, 2021, the Company entered into a three year employment agreement with Mr. Phipps that was effective as of June 2, 2021, (the “2021 Phipps Employment Agreement”). Under the terms of the 2021 Phipps Employment Agreement, Mr. Phipps serves as the President of the Company and Chief Executive Officer of Global Operations. The term will be automatically extended for additional one-year terms thereafter unless terminated by the Company or Mr. Phipps by written notice. Mr. Phipps’ annual base compensation under the 2021 Phipps Employment Agreement is an aggregate of \$350,000. The Company may increase (but not decrease) his compensation during its term. In addition, Mr. Phipps is entitled to receive an annual cash bonus if the Company meets or exceeds criteria adopted by the Compensation Committee of the Board of Directors (the “Compensation Committee”). Mr. Phipps is also entitled to participate in any other executive compensation plans adopted by the Board of Directors, and is eligible for such grants of awards under stock option or other equity incentive plans as the Compensation Committee may from time to time determine (the “Share Awards”). Share Awards will be subject to the applicable Plan terms and conditions, provided, however, that Share Awards will be subject to any additional terms and conditions as are provided in the granting documents or in any award certificate(s), which shall supersede any conflicting provisions governing Share Awards provided under the equity incentive plan. The Company is required to pay or to reimburse Mr. Phipps for all reasonable out-of-pocket expenses actually incurred or paid by Mr. Phipps in the course of his employment, consistent with the Company’s policy. Mr. Phipps will be entitled to participate in such pension, profit sharing, group insurance, hospitalization, and group health and benefit plans and all other benefits and plans, including perquisites, if any, as the Company provides to its senior employees. The 2021 Phipps Employment Agreement may be terminated based on death or disability of Mr. Phipps, for cause or without good reason, for cause or with good reason, and as a result of the change of control of the Company. The 2021 Phipps Employment Agreement also contains certain provisions that are customary for agreements of this nature, including, without limitation, non-competition and non-solicitation covenants, indemnification provisions, etc. On August 7, 2021, the 2021 Phipps Employment Agreement was amended in order to, among other things, (i) increase Mr. Phipps’ compensation to include a car allowance of \$1,000 a month and (ii) clarify Mr. Phipps position to be President of NextPlat Corp and the Chief Executive Officer of Global Operations.

Fernandez Employment Agreements

On May 23, 2021, the Company entered into a three (3) year Employment Agreement (the “May Agreement”) with Mr. Charles M. Fernandez to serve as Chairman of the Board.

However, two weeks later on June 2, 2021, the Company entered into a new employment agreement (the “June Agreement”) with Mr. Fernandez, which superseded and replaced “the May Agreement.” The June Agreement has an initial term of 5 years effective on May 28, 2021. Under the June Agreement, Mr. Fernandez will serve as the Chairman and Chief Executive Officer of the Company. The June Agreement will be automatically extended for additional one-year terms unless terminated by the Company or Mr. Fernandez by written notice. Mr. Fernandez’s annual base compensation under the June Agreement is \$350,000 per year. The Company may increase (but not decrease) his compensation during the June Agreement’s term. In addition, Mr. Fernandez is entitled to receive an annual cash bonus if the Company meets or exceeds criteria adopted by the Compensation Committee. Mr. Fernandez is also entitled to participate in any other executive compensation plans adopted by the Board and is eligible for such grants of Share Awards. Share Awards will be subject to the applicable Plan terms and conditions, provided, however, that Share Awards will be subject to any additional terms and conditions as are provided therein or in any award certificate(s), which will supersede any conflicting provisions governing Share Awards provided under the equity incentive plan. The Company is required to pay or to reimburse Mr. Fernandez for all reasonable out-of-pocket expenses actually incurred or paid by Mr. Fernandez in the course of his employment, consistent with the Company’s policy.

Mr. Fernandez is entitled to participate in such pension, profit sharing, group insurance, hospitalization, and group health and benefit plans and all other benefits and plans, including perquisites, if any, as the Company provides to its senior employees. The June Agreement may be terminated based on death or disability of Mr. Fernandez, for cause or without good reason, for cause or with good reason, as a result of the change of control of the Company and at the option of Mr. Fernandez with or without cause. The June Agreement also contains certain provisions that are customary for agreements of this nature, including, without limitation, non-competition and non-solicitation covenants, indemnification provisions, etc.

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NOTE 12 - COMMITMENTS AND CONTINGENCIES (continued)

The Company will also reimburse Mr. Fernandez for any and all premium payments made by him to obtain and continue personal catastrophe and disability insurance coverages for himself, which policy will have policy limits not to exceed one hundred percent (100%) of his base salary per annum at any given time. In addition, the Company will pay for any and all travel-related expenses incurred by Mr. Fernandez and/or his immediate family members, not to exceed \$10,000 per fiscal year, regardless of whether or not such expenses are incurred by Mr. Fernandez in connection with services or duties to be performed by him as an employee of the Company. The Company will also pay for any and all fees and costs incurred by Mr. Fernandez in connection with professional services provided to him, not to exceed \$10,000 per year, including, without limitation, services provided to the Company by attorneys, accountants, financial planners and the like, regardless of whether or not such services are provided to Mr. Fernandez in connection with his employment with the Company.

In addition, the June Agreement (which repeats, but not duplicates, a grant of restricted stock made under the May Agreement), Mr. Fernandez received an award of restricted stock with a grant date fair value equal to \$3,000,000 determined at the per unit offering price in the June Offering (\$5 per Unit) (the "RSA"), which RSA will vest 1/3 at each of the three anniversaries of the grant date. The Grant Date for the RSA is May 28, 2021, as determined pursuant to the May Agreement. Notwithstanding the vesting schedule, full vesting will occur upon a Change in Control, as that term is defined in the Restricted Stock Agreement pursuant to which the RSA was made (the "May Restricted Stock Agreement"). The Company at its sole expense is obligated to register for reoffer and resale by Mr. Fernandez the securities granted to him pursuant to the May Restricted Stock Agreement.

If Mr. Fernandez's employment is terminated for any reason at any time by the Company prior to the full vesting of the RSA without "Cause" (as that term is defined in the June Agreement), the RSA will vest and Mr. Fernandez will receive all right, title and interest in the balance of the securities granted to him in the RSA.

During the term of the June Agreement and so long as Mr. Fernandez is employed by the Company, he may nominate two directors to the Company's Board of Directors. The appointment of these directors to the Board is subject to approval by the Board of Directors.

On August 7, 2021, the June Agreement was amended in order to, among other things, increase Mr. Fernandez's compensation by (i) providing for medical plan coverage for Mr. Fernandez and his family at the expense of the Company, and (ii) providing for an auto allowance \$1,000 per month.

Ellenoff Employment Agreement

On August 24, 2021, Douglas S. Ellenoff was appointed to the positions of Chief Business Development Strategist of the "Company" and Vice Chairman of the Board of Directors of the Company. The appointment was made on the approval and recommendation of the Nominating Committee of the Board. Mr. Ellenoff was not appointed to any committees of the Board.

In connection with Mr. Ellenoff's appointment to the position of Chief Business Development Strategist of the Company, Mr. Ellenoff and the Company entered into a three year Employment Agreement, dated August 24, 2021 (the "Ellenoff Agreement"). Mr. Ellenoff will be nominated and renominated to serve on the Board during the term of the agreement. Under the terms of the Ellenoff Agreement, Mr. Ellenoff will receive, in lieu of cash compensation: (i) a restricted stock award of 100,000 shares of Common Stock of the Company, 40,000 were issued within 5 business days of the execution of the Ellenoff Employment Agreement and vest immediately, and the remaining 60,000 of which will be issued and vest at the rate of 20,000 shares at the end of each of the next three annual anniversaries of his employment, provided that Mr. Ellenoff serves on the Board at any time during such year; and (ii) options to purchase a total of 1,500,000 shares of the Company's Common Stock, 300,000 of which were within 5 business days of the execution of the Ellenoff Employment Agreement and vested immediately, 150,000 of which will vest on each of the next three annual anniversaries of the commencement of his employment, and the remaining 750,000 of which will vest at the rate of 250,000 per year on each of the first three anniversaries of the commencement of his employment if during each such year Mr. Ellenoff introduces the Company to twelve (12) or more potential Business Transactions (as defined in the Ellenoff Agreement and which transactions need not be consummated); provided that the Company's Chief Executive Officer may, in his sole discretion, waive the vesting requirement in any given year. Such options have an exercise price of \$5.35 per share and will terminate 5 years after they vest. These equity awards to Mr. Ellenoff were material to induce Mr. Ellenoff to enter into the Ellenoff Agreement and were issued outside of a shareholder approved stock or option plan pursuant to the Nasdaq "inducement grant" exception (Nasdaq Listing Rule 5635(c)(4)).

NEXTPLAT CORP AND SUBSIDIARIES
FKA: ORBSAT CORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 - COMMITMENTS AND CONTINGENCIES (continued)

Carlise Employment Agreement

On June 22, 2021, the Company appointed Theresa Carlise as Controller, Treasurer and Secretary. In connection with Ms. Carlise's appointment, Ms. Carlise and the Company entered into an employment agreement (the "Carlise Agreement") with an initial term of one year. The term of the Carlise Agreement will be automatically extended for additional one-year terms unless terminated by the Company or Ms. Carlise by written notice. Ms. Carlise's annual base compensation is \$180,000. The Carlise Agreement provides for medical plan coverage and an auto allowance. The Company may increase (but not decrease) her compensation during its term. In addition, Ms. Carlise will be entitled to receive an annual cash bonus if the Company meets or exceeds criteria adopted by the Compensation Committee of the Board of Directors. Ms. Carlise is also entitled to participate in any other executive compensation plans adopted by the Board of Directors and is eligible for such grants of awards under stock option or other equity incentive plans as the Compensation Committee of the Company may from time to time determine. The Company is required to pay or to reimburse Ms. Carlise for all reasonable out-of-pocket expenses actually incurred or paid by Ms. Carlise in the course of her employment, consistent with the Company's policy. Ms. Carlise shall be entitled to participate in such pension, profit sharing, group insurance, hospitalization, and group health and benefit plans and all other benefits and plans, including perquisites, if any, as the Company provides to its senior Employees. The Carlise Agreement may be terminated based on death or disability of the executive, for cause or without good reason, for cause or with good reason, and as a result of the change of control of the Company. The Carlise Agreement also contains certain provisions that are customary for agreements of this nature, including, without limitation, non-competition and non-solicitation covenants, indemnification provisions, etc. On August 7, 2021, on the approval and recommendation of the Compensation Committee, the Company entered into the Carlise Agreement to, among other things, change Ms. Carlise's title to "Chief Accounting Officer, Secretary and Treasurer. On October 8, 2021, on the approval and recommendation of the Compensation Committee, and following the subsequent approval of the Board, the Company entered into an amendment to Carlise, the Company's Chief Accounting Officer, Treasurer and Secretary, to extend the initial term of her employment agreement from 1 year to 3 years (the "Carlise Amendment").

Thomson Employment Agreement

On August 24, 2021, Paul R. Thomson was appointed to the position of Executive Vice President of the Company. Mr. Thomson's appointment as Executive Vice President was effective on August 24, 2021, the date of that certain Employment Agreement between Mr. Thomson and the Company (the "Thomson Agreement"). The Thomson Agreement has an initial term of three (3) years and will be automatically extended for additional 1-year term unless terminated by the Company or Mr. Thomson by written notice. Mr. Thomson's annual base compensation is \$250,000. The Company may increase (but not decrease) his compensation during its term. In addition, Mr. Thomson will be entitled to receive an annual cash bonus if the Company meets or exceeds criteria adopted by the Compensation Committee of the Board. Mr. Thomson is also entitled to participate in any other executive compensation plans adopted by the Board and is eligible for such grants of awards under stock option or other equity incentive plans as the Compensation Committee of the Company may from time to time determine (the "Share Awards").

In connection with Mr. Thomson's employment, and as a material inducement to enter into the Thomson Agreements, Mr. Thomson received (i) immediately vested options to purchase 25,000 shares of Common Stock at a per share price of \$5.35, and having a term of 5 years; and (ii) a restricted stock grant of 25,000 shares of Common Stock, 10,000 of which vest immediately, and the remaining 15,000 of which will vest at the rate of 5,000 shares at the end of each of the next three annual anniversaries of his employment. These equity awards to Mr. Thomson were issued outside of a shareholder approved stock or option plan pursuant to the Nasdaq "inducement grant" exception (Nasdaq Listing Rule 5635(c)(4)). On October 7, 2021, the Board of Directors of the Company (the "Board") appointed Paul R. Thomson, the Executive Vice President of the Company, to the additional position of Chief Financial Officer of the Company effective October 9, 2021. As Chief Financial Officer, Mr. Thomson became the Company's principal financial officer, effective October 9, 2021. On October 8, 2021, on the approval and recommendation of the Compensation Committee of the Board (the "Compensation Committee"), and following subsequent approval of the Board, the Company entered into an amendment to the Company's current employment agreement with Mr. Thomson to reflect his new title of "Executive Vice President and Chief Financial Officer" effective October 9, 2021 (the "Thomson Amendment").

NEXTPLAT CORP AND SUBSIDIARIES
FKA: ORBSAT CORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 - COMMITMENTS AND CONTINGENCIES (continued)

Cohen Employment Agreement

On October 7, 2021, the Board appointed Andrew Cohen as Senior Vice President of Operations of the Company, effective October 8, 2021. In connection with Mr. Cohen's appointment, the Company entered into an employment agreement, dated October 8, 2021 (the "Cohen Agreement"), that sets forth the terms of his employment.

The Cohen Agreement has an initial term of three (3) years and will be automatically extended for additional 1-year terms unless terminated by the Company or Mr. Cohen by written notice. Mr. Cohen's annual base compensation is \$250,000. The Company may increase (but not decrease) his compensation during its term. In addition, Mr. Cohen will be entitled to receive an annual cash bonus if the Company meets or exceeds criteria adopted by the Compensation Committee of the Board. Mr. Cohen is also entitled to participate in any other executive compensation plans adopted by the Board and is eligible for such grants of awards under stock option or other equity incentive plans as the Compensation Committee may from time to time determine. The Company is required to pay or to reimburse Mr. Cohen for all reasonable out-of-pocket expenses actually incurred or paid by Mr. Cohen in the course of his employment, consistent with the Company's policy. Mr. Cohen will be entitled to participate in such pension, profit sharing, group insurance, hospitalization, and group health and benefit plans and all other benefits and plans, including perquisites, if any, as the Company provides to its senior employees. The Cohen Agreement may be terminated based on, among other things, the death or disability of Mr. Cohen, for cause, for good reason, and as a result of the change of control of the Company. The Cohen Agreement also contains certain provisions that are customary for agreements of this nature, including, without limitation, non-competition and non-solicitation covenants.

In connection with Mr. Cohen's employment, and as a material inducement to enter into the Cohen Agreement, Mr. Cohen received (i) immediately vested options to purchase 25,000 shares of Common Stock at a per share price of \$5.35, and having a term of 5 years; and (ii) a restricted stock grant of 25,000 shares of Common Stock, 10,000 of which vest immediately, and the remaining 15,000 of which will vest at the rate of 5,000 shares at the end of each of the next three annual anniversaries of his employment. These equity awards to Mr. Cohen were issued outside of a shareholder approved stock or option plan pursuant to the Nasdaq "inducement grant" exception (Nasdaq Listing Rule 5635(c)(4)).

On May 2, 2022, the Company amended the Cohen Agreement, "Amendment No.1 Cohen", as follows: Section 4(a) of the Agreement shall be deleted and replaced to read as follows; the Corporation shall pay the Employee as compensation for his services hereunder, in monthly installments during the Term, the sum of \$125,000 (the "Annual Base Salary"), less such deductions as shall be required to be withheld by applicable law and regulations, and monthly advances against the salary, if any. The Corporation shall review the Base Salary on an annual basis and has the right, but not the obligation, to increase it, but such salary shall not be decreased during the Term. In addition, Section 6(c) of the Agreement shall be deleted and replaced to read as follows: upon termination of the Employee's employment pursuant to Section 5(a)(v) or other than pursuant to Section 5(a)(i), 5(a)(ii), 5(a)(iii), 5(a)(iv), or 5(a)(vi) (i.e., without "Cause"), in addition to the accrued but unpaid compensation and vacation pay through the end of the Term, or any then applicable extension of the Term, and any other benefits accrued to him under any Benefit Plans outstanding at such time and the reimbursement of documented, unreimbursed expenses incurred prior to such date, the Employee shall be entitled to the following severance benefits: (i) a cash payment equal to \$75,000, to be paid in a single lump sum payment not later than sixty (60) days following such termination, less withholding of all applicable taxes; (ii) continued provision for a period of twelve (12) months after the date of termination of the benefits under Benefits Plans extended from time to time by the Corporation to its senior Employees; and (iii) payment on a pro-rated basis of any bonus or other payments earned in connection with any bonus plan to which the Employee was a participant as of the date of the Employee's termination of Employment. In addition, any options or restricted stock shall be immediately vested upon termination of Employee's employment pursuant to Section 5(a)(v) or by the Corporation without "Cause."

Lease Agreements

On December 2, 2021, the Company entered a 62-month lease for 4,141 square feet of office space for \$186,345 annually. The rent increases 3% annually. The lease commenced on June 13, 2022 and will expire on August 31, 2027.

Effective July 24, 2019, a three-year lease was signed for 2,660 square feet for £25,536 annually, for our facilities in Poole, England, "UK lease", for £2,128 per month, or USD \$2,765 per month at the yearly average conversion rate of 1.299279. The Poole lease expired July 23, 2022 and the Company is continuing to lease the facility on a month-to-month basis, as we may seek to expand to a larger facility.

The leases do not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Variable expenses generally represent the Company's share of the landlord's operating expenses. The Company does not have any leases classified as financing leases.

Future minimum lease payments under these leases are as follows:

Years Ending December 31,	Minimum Lease Payment
2022	\$ 84,848
2023	180,815
2024	194,814
2025	200,659
2026	206,679
2027	122,869
Total undiscounted future non-cancelable minimum lease payments	990,683
Less: Imputed interest	(90,696)
Present value of lease liabilities	\$ 899,987
Weighted average remaining term	5.24

Amortization expenses for the six months ended June 30, 2022, and 2021 were \$17,479 and \$15,476, respectively.

NEXTPLAT CORP AND SUBSIDIARIES
FKA: ORBSAT CORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - COMMITMENTS AND CONTINGENCIES (continued)

At June 30, 2022, the Company had current and long-term operating lease liabilities of \$899,987 and right of use assets of \$909,908.

Net rent expense for the six months ended June 30, 2022 and 2021 were \$17,815 and \$18,933, respectively.

Litigation

On June 22, 2021, Thomas Seifert's employment as the Company's Chief Financial Officer was terminated for cause. Mr. Seifert asserts that the termination was not for cause and that he is owed compensation payable under his June 2, 2021 employment agreement. The Company's position is that Mr. Seifert is not owed any additional compensation relating to his prior service with the Company or arising under any employment agreement. The Company and Mr. Seifert are currently engaged in litigation over the matter of his employment and termination. The Company believes it has adequate defenses to Mr. Seifert's claims and has asserted affirmative claims for relief against Mr. Seifert including, but not limited to, breach of the employment agreement, breach of the fiduciary, fraud in the inducement in connection with the employment agreement, fraudulent misrepresentation, and constructive fraud. The Company does not expect to seek substantial monetary relief in the litigation. This dispute is pending before the District Court for the Southern District of Florida under Case No. 1:21-cv-22436-DPG.

On June 24, 2021, Seifert submitted an online whistleblower complaint to the Occupational Safety and Health Administration (OSHA) alleging that NextPlat engaged in retaliatory employment practices in violation of the Sarbanes-Oxley Act. NextPlat responded by moving to dismiss Seifert's complaint, citing Seifert's failure to make a *prima facie* showing that a protected activity contributed to the adverse action alleged in the complaint. On July 21, 2022, following an investigation by the Regional Administrator for OSHA, Region IV, the Secretary of Labor issued its findings, dismissing Seifert's complaint on the grounds that the OSHA investigator found that the evidence did not support Seifert's claims.

From time to time, the Company may become involved in litigation relating to claims arising out of our operations in the normal course of business. The Company is not currently involved in any pending legal proceeding or litigation, and to the best of our knowledge, no governmental authority is contemplating any proceeding to which the Company is a party or to which any of the Company's properties is subject, which would reasonably be likely to have a material adverse effect on the Company's business, financial condition and operating results.

NOTE 13 - CONCENTRATIONS

Customers:

Amazon accounted for 49.5% and 64.6% of the Company's revenues during the six months ended June 30, 2022 and 2021, respectively. No other customer accounted for 10% or more of the Company's revenues for either period.

NEXTPLAT CORP AND SUBSIDIARIES
FKA: ORBSAT CORP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – CONCENTRATIONS (continued)

Suppliers:

The following table sets forth information as to each supplier that accounted for 10% or more of the Company's purchases for the six months ended June 30, 2022 and 2021.

	<u>June 30, 2022</u>		<u>June 30, 2021</u>	
Globalstar Europe	\$ 212,488	4.2%	\$ 565,207	10.3%
Garmin	\$ 999,101	19.7%	\$ 1,051,557	19.2%
Network Innovations	\$ 521,142	10.3%	\$ 343,801	6.3%
Cygnus Telecom	\$ 1,195,597	23.6%	\$ 772,478	14.1%
Satcom Global	\$ 477,998	9.4%	\$ 851,314	15.5%

The following table sets forth information as to each supplier that accounted for 10% or more of the Company's purchases for the three months ended June 30, 2022 and 2021.

	<u>June 30, 2022</u>		<u>June 30, 2021</u>	
Globalstar Europe	\$ 119,687	5.7%	\$ 162,313	8.2%
Garmin	\$ 583,136	27.8%	\$ 304,638	15.5%
Network Innovations	\$ 200,626	9.6%	\$ 189,984	9.6%
Cygnus Telecom	\$ 254,683	12.2%	\$ 271,971	13.8%
Satcom Global	\$ 195,168	9.3%	\$ 349,046	17.7%

Geographic:

The following table sets forth revenue as to each geographic location, for the six months ended June 30, 2022 and 2021:

	<u>June 30, 2022</u>		<u>June 30, 2021</u>	
Europe	\$ 5,064,843	78.5%	\$ 2,361,328	69.1%
North America	899,958	14.0%	709,797	20.8%
South America	22,306	0.3%	15,839	0.5%
Asia & Pacific	397,540	6.2%	290,582	8.5%
Africa	64,610	1.0%	40,142	1.2%
	<u>\$ 6,449,257</u>		<u>\$ 3,417,688</u>	

The following table sets forth revenue as to each geographic location, for the three months ended June 30, 2022 and 2021:

	<u>June 30, 2022</u>		<u>June 30, 2021</u>	
Europe	\$ 2,165,445	75.4%	\$ 1,357,596	69.4%
North America	462,742	16.1%	395,832	20.2%
South America	10,533	0.4%	7,825	0.4%
Asia & Pacific	201,371	7.0%	182,985	9.4%
Africa	31,388	1.1%	12,022	0.6%
	<u>\$ 2,871,479</u>		<u>\$ 1,956,260</u>	

NOTE 14 - SUBSEQUENT EVENTS

On July 12, 2022, the Company hired Lauren Sturges Fernandez, the spouse of Mr. Fernandez, as Manager of Digital Assets. Mrs. Fernandez is an at-will employee with an annual salary of \$95,000.

Restricted Stock Award

On July 22, 2022, the Company issued 200,000 shares of restricted common stock to Charles M. Fernandez, pursuant to a restricted stock award, which vested on May 28, 2022, see Note 9.

Stock Option Agreement

On July 1, 2022, the Company granted Charles Fernandez, 70,000 fully vested options, pursuant to compensation committee board approval on June 30, 2022. The options are issued under the Company's 2021 Incentive Award Plan, the "2021 Plan". The options have an exercise price of \$2.13 and a term of 10 years.

Resignation

On July 29, 2022, Andrew Cohen resigned his position as Senior Vice President of Operations. Pursuant to the amendment to the Cohen Agreement on May 2, 2022, Mr. Cohen received \$75,000 severance, less applicable taxes and the remaining unvested portion of the restricted stock award granted on October 8, 2021. In relation to the above, on August 4, 2022, the Company issued 15,000 shares of restricted common stock for stock-based compensation of \$71,250, based on the fair market value of the market close of award date, October 8, 2021 of \$4.75. These equity awards to Mr. Cohen were issued outside of a shareholder approved stock or option plan pursuant to the Nasdaq "inducement grant" exception (Nasdaq Listing Rule 5635(c)(4)). See Note 12.

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

The following information should be read in conjunction with the condensed consolidated financial statements and the notes thereto contained elsewhere in this report. Statements made in this Item 2, "Management's Discussion and Analysis and Plan of Financial Condition and Results of Operations," and elsewhere in this quarterly report on Form 10-Q that do not consist of historical facts, are "forward-looking statements." Statements accompanied or qualified by, or containing words such as "may," "will," "should," "believes," "expects," "intends," "plans," "projects," "estimates," "predicts," "potential," "outlook," "forecast," "anticipates," "presume," and "assume" constitute forward-looking statements, and as such, are not a guarantee of future performance. The statements involve factors, risks and uncertainties, the impact or occurrence of which can cause actual results to differ materially from the expected results described in such statements. Risks and uncertainties can include, among others, fluctuations in general business cycles and changing economic conditions; changing product demand and industry capacity; increased competition and pricing pressures; advances in technology that can reduce the demand for the Company's products, as well as other factors, many or all of which may be beyond the Company's control. Consequently, investors should not place undue reliance upon forward-looking statements as predictive of future results. The Company disclaims any obligation to update the forward-looking statements in this report.

You should read the following information in conjunction with our financial statements and related notes contained elsewhere in this report. You should consider the risks and difficulties frequently encountered by early-stage companies, particularly those engaged in new and rapidly evolving markets and technologies. Our limited operating history provides only a limited historical basis to assess the impact that critical accounting policies may have on our business and our financial performance.

We encourage you to review our periodic reports filed with the SEC and included in the SEC's EDGAR database, including the Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on June 30, 2022, and the Company's subsequent public filings with the SEC.

Corporate Information

NextPlat Corp, formerly Orbsat Corp ("NextPlat"), is a Nevada corporation. Our headquarters and principal executive offices are located at 3250 Mary St., Suite 410, Coconut Grove, FL 33133. Our telephone number is (305) 686-3250, and our corporate website is www.nextplat.com. Unless the context requires otherwise, in this report the terms "the Company," "we," "us," and "our" refer to NextPlat and our wholly owned subsidiaries.

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

COVID-19 Update

The impact of the COVID-19 pandemic has rapidly evolved around the globe, causing disruption in the U.S. and global economies. Although the global economy continued reopening in early 2022 and robust economic activity has supported a continued recovery, certain geographies, most notably China, have experienced setbacks.

The uncertainty surrounding the COVID-19 pandemic, including uncertainty regarding new variants of COVID-19 that have emerged and other factors have and may continue to contribute to significant volatility in the global markets. While vaccine availability and uptake has increased, the longer-term macro-economic effects on global supply chains, inflation, labor shortages and wage increases continue to impact many industries. COVID-19 and the current financial, economic and capital markets environment, and future developments in these and other areas present uncertainty and risk with respect to our performance, financial condition, and results of operations.

The ultimate magnitude of COVID-19, including the full extent of the material negative impact on our financial and operational results, will depend on future developments, such as the duration and severity of the pandemic, the extent of any additional increases in cases across the United States, and the related length of its impact on the global economy, as well as the timing and availability of effective medical treatments and vaccines, which remain uncertain and cannot be predicted at this time. The resumption of our normal business operations may be delayed or constrained by lingering effects of COVID-19 on our customers, suppliers and/or third-party service providers. Furthermore, the extent to which our mitigation efforts are successful, if at all, is not currently ascertainable. Due to the daily evolution of the COVID-19 pandemic and the responses to curb its spread, we cannot predict the full impact of the COVID-19 pandemic on our business and results of operations, but our business, financial condition, results of operations and cash flows have already been materially adversely impacted, and we anticipate they will continue to be adversely affected by the COVID-19 pandemic and its negative effects on global economic conditions. Any recovery from the COVID-19 pandemic and related economic impact may also be slowed or reversed by a variety of factors, such as any increase in COVID-19 infections. Even after the COVID-19 pandemic has subsided, we may continue to experience adverse impacts to our business as a result of its national and, to some extent, global economic impact, including the current recession and any recession that may occur in the future.

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

The success of our business depends on our global operations, including our supply chain and consumer demand, among other things. As a result of COVID-19, we have experienced shortages in inventory due to manufacturing issues, a reduction in the volume of sales in some parts of our business, such as rental sales and direct website sales, and a reduction in personnel due to lockdown related issues. Our results of operations for the year ended December 31, 2020 reflected this impact. Recently, some governmental agencies in the US and Europe, where we produce the largest percentage of our sales, have lifted certain restrictions. We have incurred strong increases in sales outside of our Amazon marketplaces for the six months ended June 30, 2022. However due to uncertainties related to variants of COVID-19, we are uncertain as to the continuation of the increases to revenue.

Recent Events

Expanding beyond our current global network of online storefronts serving thousands of consumers, enterprises, and governments, the Company has embarked upon the rollout of a state-of-the-art e-commerce platform to collaborate with businesses to optimize their ability to sell their goods online, domestically, and internationally, and enabling customers and partners to optimize their e-commerce presence and revenue. We intend to develop a next generation platform for digital assets built for Web3, an internet service built using decentralized blockchains. Our new platform ("NextPlat Digital"), which is currently in the design and development phase in collaboration with consultants and contracted developers, will initially enable the use of non-fungible tokens ("NFTs"), in e-commerce and in community-building activities. NextPlat Digital may in the future also enable the posting and use of other digital or "crypto" assets once applicable legal and regulatory requirements are addressed. As currently contemplated, NextPlat Digital will facilitate the creation/minting, purchase and sale of a broad range of non-yield-generating and non-fractionalized NFT products, including, but not limited to, art, music, collectables, digital real estate, video games, game items and certificates of authenticity. We also anticipated developing and deploying NFTs for use in tokenizing data for use in brand loyalty programs.

NextPlat Digital, as currently planned, will be used by us to create both (a) public marketplaces, for us and third-parties, where anyone with a crypto wallet or credit card can buy an NFT from an authorized user, or, if authorized, sell their own NFTs, and (b) private market places that only allow a particular company or entity to sell their own NFTs within a branded market (such as for the promotion of a particular brand or product). We anticipate that NextPlat Digital will be substantially complete within the next six to nine months.

The legal status of NFTs under a myriad of state and federal laws and regulatory regimes (including securities, banking, and commodities laws) is highly uncertain and unresolved, and the applicability of various of those regimes to any NFTs that we may propose to post on our platform is also unresolved. Our creation and operation of NextPlat Digital will present a number of new regulatory and legal compliance obligations for the Company. As an initial matter we will need to make a determination whether a particular NFT could reasonably be considered a security for federal and state law purposes, and if so we would be required to comply with the applicable securities registration requirements or obtain comfort that our activities would fall within applicable exemptions from registration. To the extent that we determine that a particular NFT could be deemed a "security" within the meaning of the U.S. federal and/or securities laws, we intend to obtain contractual comfort from licensed broker-dealer authorized to act as a trading system for those digital assets that such broker-dealer will comply with the applicable "Know Your Customer" ("KYC") rules and custom and practice, as well as with the applicable Anti-Money Laundering laws and regulations ("AML") and Combating the Financing of Terrorism ("CFT"), administered and enforced by the U.S. Treasury Financial Crimes and Enforcement Network discussed below, among others. We may have legal exposure for any alleged failures on the part of such licensed broker-dealer to fulfill its obligations under its contracts with us.

With respect to the securities status of an NFT that we propose to post to our platform, we will follow an internally developed model that will permit us to make a risk-based assessment regarding the likelihood that a particular NFT could be deemed a "security" within the meaning of the U.S. federal and/or state securities laws in determining if and how an NFT can be posted on our platform. This process will involve employees trained to identify the indicia of a "security" who will also work with outside legal counsel experienced in crypto asset regulatory matters to make a determination with respect to each NFT, or category of NFT, proposed to be posted on our platform. These processes and procedures are risk based assessments and are not a legal standard or binding on regulators or courts. In the event an NFT or other digital asset is deemed by us, pursuant to the above analysis, to possess a reasonable likelihood of being deemed a security, we will (a) comply with applicable laws and regulations by forming, acquiring or engaging a licensed broker-dealer authorized to act as a trading system for those digital assets, or (b) transact in such digital assets offshore in a way that complies with applicable laws and regulations; or (c) not transact in the subject NFT. We expect our risk assessment policies will continuously evolve to take into account developments in case law, applicable facts, developments in technology, and changes in applicable regulatory schemes.

We do not currently intend to undertake or participate in "initial coin offerings", the minting of "coins" or the mining of cryptocurrencies.

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

Irrespective of a particular NFT's status as a security, we will need to assess whether we needed to comply with other applicable regulations and laws (including but not limited to AML and CFT regulations). If we are deemed to be involved in the exchange or transmission of value that substitutes for currency, or fall under other evolving requirements, we may be deemed to be a "money transmitter" and will be subject to AML and CFT regulations. Depending on the particular attributes of an NFT, the manner in which it is marketed, and the nature of the clientele, we could be subject to other legal and regulatory regimes as well. We will endeavor to comply with all applicable laws in connection with our NextPlat Digital business, but the uncertain application of those laws to our proposed business may create substantial risk to the Company.

When onboarding new users, we intend to utilize third-party tools to proactively screen for high-risk crypto wallets, including explicitly sanctioned addresses and addresses associated with sanctioned entities. Crypto wallets protect the identity of the owner of the wallet, store the owner's private keys, secure and provide access by the owner to the cryptocurrency owned by it and allow the owner to send, receive, and transact business with cryptocurrencies. Such wallets by their nature obfuscate the identity of the owner of the wallet and limit access to the transaction history of that wallet and its owner. Consequently, crypto wallets and cryptocurrencies may be used by persons seeking to avoid legal oversight and to violate the law. For example, they can be used to launder money and to promote terrorism. The applicable legal requirements and our compliance obligations will vary depending on the nature of the client, the service or product provided and jurisdiction. For example, if we engage, form or acquire a broker dealer in order to post, trade or sell NFTs or other digital assets that are securities, we will attempt to fully comply with all applicable KYC, AML and CFT compliance requirements. If, on the other hand, we facilitate the distribution of free promotional corporate collectable NFTs that are not deemed to be securities, our compliance requirements will be significantly less. In either event there can be no assurance that our efforts to fully comply with applicable law will be successful.

In determining to engage in transactions in an NFT, we will attempt to comply with all applicable laws. However, given the substantial legal uncertainties that may be presented by those laws and given the informational constraints presented by crypto wallets we may not be successful in our efforts. As a consequence, we may be exposed to regulatory enforcement and civil or criminal sanction should a legal authority determine that our approach is inadequate or inappropriate, as well as to claims asserting civil liability. Moreover, governmental agencies may seek to apply laws to our NextPlat Digital business that we believe are inapplicable and may seek sanctions relating to our alleged failure to comply with those laws.

January 2022 Private Placement of Common Stock

On December 31, 2021, after markets closed, a securities purchase agreement (the "Purchase Agreement") was circulated to, and signatures were received from, certain institutional and accredited investors (the "December Investors") in connection with the sale in a private placement by the Company of 2,229,950 shares of the Company's common stock (the "December Offering"). On January 2, 2022, the Company delivered to December Investors a fully executed Purchase Agreement, which was dated December 31, 2021. The purchase price for the common stock sold in the December Offering was \$3.24 per share, the closing transaction price reported by Nasdaq on December 31, 2021.

The closing of the December Offering occurred on January 5, 2022. The Company received gross proceeds from the sale of the common stock in the December Offering of approximately \$7.2 million. The Company intends to use the proceeds from the December Offering for general corporate purposes, including potential acquisitions and joint ventures. Approximately 73% of funds raised in the December Offering were secured from existing shareholders and from the members of the Company's senior management and Board of Directors.

In connection with the December Offering, the Company entered into a registration rights agreement with the December Investors (the "Registration Rights Agreement"), pursuant to which, among other things, the Company agreed to prepare and file with the SEC a registration statement to register for resale the shares of the Company's common stock sold in the Offering.

The shares of common stock offered and sold in the December Offering were sold in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act and corresponding provisions of state securities or "blue sky" laws.

The terms of the transaction disclosed above, including the provisions of the Purchase Agreement and Registration Rights Agreement, were approved by the Board of Directors and because some of the securities were offered and sold to officers and directors of the Company, such terms were separately reviewed and approved by the Audit Committee of the Board of Directors.

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

January 2022 Name Change

On January 18, 2022, the Company filed a Certificate of Amendment of the Amended and Restated Articles of Incorporation of the Company with the Secretary of State of the State of Nevada in order to change the Company's corporate name from Orbsat Corp to NextPlat Corp. This name change was effective as of January 21, 2022. The name change was approved by the Company's stockholders at the 2021 annual meeting of stockholders held on December 16, 2021.

Restricted Stock Award

On January 21, 2022, the Company issued 10,000 shares of common stock, pursuant to a restricted stock award, "RSA" granted on January 7, 2022 and effective on January 20, 2022. The award is for 20,000 restricted shares of common, which vest in two equal installments, the first on effective date and the remaining on the one year anniversary of the effective date, with a fair market value of \$3.48 per share, on the date of issuance. All shares were fully vested and upon issuance resulted in stock-based compensation of \$34,800. Shares were issued in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, as there was no general solicitation, and the transaction did not involve a public offering.

For the six months ended June 30, 2022, pursuant to Mr. Fernandez employment agreement, the "June Agreement", see Note 12, the Company recorded stock-based compensation and additional paid in capital, in the amount of \$654,246. This amount is valued from the date of the award May 28, 2021 to June 30, 2022. The value of the award for the year ended December 31, 2021 was \$356,712 and for the six months ended June 30, 2022, \$297,534. The award is valued over the service period of the June Agreement, five years from the date of grant, May 28, 2021. On June 2, 2022, 200,000 of the RSA or one third of the award, became vested and issuable. On July 22, 2022, the Company issued 200,000 of restricted common stock, see Note 14.

Enterprise Resource Planning System (ERP)

On April 1, 2022, the Company commenced with its implementation of an enterprise resource planning "ERP" system, to replace our legacy business applications. The new ERP platform will provide better support for our changing business needs and plans for future growth. The project includes software, external implementation assistance, testing, training, and support. For the six months ended June 30, 2022, approximately 26% of the cost was expensed in the period incurred to SGA and 74% was capitalized and depreciated over its useful life. The Company intends to maintain dual accounting systems, until such time it is deemed acceptable.

On June 22, 2022, the Company formed NextPlat B.V., a Netherlands limited liability company, as a wholly-owned subsidiary. At present, NextPlat B.V., has no active operations.

As of June 30, 2022, there were 50,000,000 shares of common stock authorized and 9,293,096 shares issued and outstanding.

As of June 30, 2022, there were 2,836,092 registered warrants to purchase common stock authorized and 2,530,092 registered warrants issued and outstanding, at an exercise price of \$5.00, and 144,000 unregistered underwriter warrants issued and outstanding, at an exercise price of \$5.50. The warrants expire in June of 2026.

As of June 30, 2022, there were no shares of Series A, B, C, D, E, F, G, H, I, J, K and L Convertible Preferred Stock authorized, and no shares issued and outstanding.

We had net cash used in operations of \$1,888,252 during the six months ended June 30, 2022. At June 30, 2022, we had working capital of \$21,324,348. Additionally, at June 30, 2022, we had an accumulated deficit of \$24,492,159 and stockholder's equity of \$22,698,841.

Results of Operations for the Three and Six Months Ended June 30, 2022, compared to the Three and Six Months Ended June 30, 2021

Revenue. Net Sales for the six months ended June 30, 2022, consisted primarily of sales of satellite phones, tracking devices, accessories and airtime plans. For the six months ended June 30, 2022, revenues generated were \$6,499,257 compared to \$3,417,688 of revenues for the six months ended June 30, 2021, an increase in total revenues of \$3,031,569 or 88.7%. Total net sales for Global Telesat Communications Ltd. were \$4,542,671 for the six months ended June 30, 2022, as compared to \$2,398,912 for the six months ended June 30, 2021, an increase of \$2,143,759 or 89.4%. Total net sales for Global Telesat Communications Ltd as valued in its home currency of GBP was £3,496,302, for the six months ended June 30, 2022, as compared to £1,728,190, for the six months ended June 30, 2021, an increase of £1,768,112 or 102.3%. The net effect of the exchange rate GBP:USD on revenue for the six months ended June 30, 2022, was reduced by \$310,570, using GBP:USD exchange rate yearly average of 1.299279 for the six months ended June 30, 2022 as compared to GBP:USD 1.38811 for the six months ended June 30, 2021. Total net sales for Orbital Satcom Corp. were \$1,906,586 for the six months ended June 30, 2022, as compared to \$1,018,776, for the six months ended June 30, 2021, an increase of \$887,810 or 87.1%.

Net sales for the three months ended June 30, 2022, consisted primarily of sales of satellite phones, tracking devices, accessories, and airtime plans. For the three months ended June 30, 2022, revenues generated were \$2,871,479 compared to \$1,956,260 of revenues for the three months ended June 30, 2021, an increase in total revenues of \$915,219 or 46.8%. Total sales for Global Telesat Communications Ltd. were \$1,946,831 for the three months ended June 30, 2022, as compared to \$1,392,609 for the three months ended June 30, 2021, an increase of \$554,221 or 39.8%. Total sales for Orbital Satcom Corp. were \$924,648 for the three months ended June 30, 2022 as compared to \$563,650, for the three months ended June 30, 2021, an increase of \$360,998 or 64.0%. The Company attributes the changes in revenue to new product lines, increased inventory, and additional e-commerce storefronts, offset by disruption of sales due to economic sanctions imposed on Russia.

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

Cost of Sales. During the six months ended June 30, 2022, cost of sales increased to \$5,080,775 compared to \$2,438,681, for the six months ended June 30, 2021, an increase of \$2,642,094 or 108.3%. Gross profit margins during the six months ended June 30, 2022 were 21.2%, as compared to 28.7% for the comparable period in the prior year. During the three months ended June 30, 2022, cost of sales increased to \$2,304,090 compared to \$1,414,770, for the three months ended June 30, 2021, an increase of \$889,320 or 62.9%. Gross profit margins during the three months ended June 30, 2022, were 19.8% as compared to 27.69% for the comparable period in the prior year. As indicated by the results for the three and six months, our gross profit margins have decreased by 7.9% and 7.4%, respectively. The decrease is primarily due to significant increases in the cost of inventory and freight, an increase in sales to distributors which attract lower percentage profits, as well as, selling some items at a discounted rate to charities for use in Ukraine.

Operating Expenses. Total operating expenses for the six months ended June 30, 2022 were \$3,736,346, an increase of \$1,909,074 or 104.5%, from total operating expenses for the six months ended June 30, 2021 of \$1,827,272. Total operating expenses for the three months ended June 30, 2022 were \$2,100,638, an increase of \$1,009,812 or 92.6%, from total operating expenses for the three months ended June 30, 2021 of \$1,090,826. Factors contributing to the decrease are described below.

Selling, general and administrative expenses were \$1,735,205 and \$443,696 for the six months ended June 30, 2022 and 2021, respectively, an increase of \$1,291,509 or 291.1%. Selling, general and administrative expenses were \$1,160,855 and \$282,006 for the three months ended June 30, 2022 and 2021, respectively, an increase of \$878,849 or 311.6%. The increase, for the three and six months ended June 30, 2022, is attributable to an increase in non-cash stock-based compensation of \$689,046, certain SG&A expenses such bank charges, credit card fees, Amazon fees, and shipping charges that fluctuate with sales volatility, an increase in medical, liability and D&O insurance and an increase in marketing initiatives.

Salaries, wages and payroll taxes were \$1,306,373 and \$687,712 for the six months ended June 30, 2022 and 2021, respectively, an increase of \$618,661, or 90.0%. Salaries, wages and payroll taxes were \$670,797 and \$479,538 for the three months ended June 30, 2022, and 2021, respectively, an increase of \$191,259, or 39.9%. The increase is a result of executive management additions, adjusted salaries and an increase in personnel.

Professional fees were \$483,203 and \$548,916 for the six months ended June 30, 2022 and 2021, respectively, a decrease of \$65,713, or 12.0%. Professional fees were \$156,990 and \$256,034 for the three months ended June 30, 2022 and 2021, respectively, a decrease of \$99,044, or 38.7%. The decrease during the three and six months ended June 30, 2022 as compared to the same period in 2021, is attributable to the higher fees in the same period of 2021, that were associated with capital raising efforts and up-listing to Nasdaq.

Depreciation and amortization expenses were \$211,565 and \$146,948 for the six months ended June 30, 2022 and 2021, respectively, an increase of \$64,617 or 44.0%. Depreciation and amortization expenses were \$111,996 and \$73,248 for the three months ended June 30, 2022 and 2021, respectively, an increase of \$38,748 or 52.9%. The increase was primarily attributable capitalized expenditures for software and website development and equipment and leaseholds for the new corporate office space in Florida.

We expect our expenses in each of these areas to continue to increase during fiscal 2022 and beyond as we expand our operations and begin generating additional revenues under our current business. We are unable at this time to estimate the amount of the expected increases.

Total Other Expense. Our total other expense was \$138,080, compared to \$1,413,271 during the six months ended June 30, 2022 and 2021, respectively, a decrease of \$1,275,191 or 90.2%. Our total other expense was \$122,612 compared to \$909,058 during the three months ended June 30, 2022 and 2021, respectively. The decrease for the three and six months ended June 30, 2022, as compared to the prior year, is attributable to the reduction in interest expense from the prior year of \$1,454,677, offset by an increase in foreign exchange rate of \$168,226 and an increase in interest earned of \$9,572. The decrease in interest expense is relative to the elimination of all debt, except for the balance of \$248,369, representing the coronavirus loan debt from the prior year.

Net Loss. We recorded net loss before income tax of \$1,655,861 and \$2,505,944 for the three and six months ended June 30, 2022 as compared net loss of \$1,458,394 and a net loss of \$2,261,536, for the three and six months ended June 30, 2021. The increase in the loss is a result of the factors as described above.

Comprehensive Loss We recorded a loss for foreign currency translation adjustments for the three and six months ended June 30, 2022 of \$4,788 and \$20,118. For the three and six months ended June 30, 2021 we recorded a loss of \$14,345 and a loss of \$12,734.

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

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. At June 30, 2022, we had a cash balance of \$20,467,722. Our working capital is \$21,324,348 at June 30, 2022.

Our current assets at June 30, 2022 increased \$3,455,859 or 18% from December 31, 2021 and included cash, accounts receivable, VAT receivable, prepaid expenses, unbilled revenue, inventory and other current assets.

Our current liabilities at June 30, 2022 decreased \$1,274,282 or 45.8% from December 31, 2021 and included our accounts payable, due to related party, provision for income taxes, contract liabilities, lease liabilities and other liabilities in the ordinary course of our business.

At June 30, 2022, the Company had an accumulated deficit of \$24,492,159, working capital of \$21,324,348 and net loss of \$2,505,944 during the six months ended June 30, 2022.

As of the date of this report, the Company's existing cash resources and existing borrowing availability are sufficient to support planned operations for the next 12 months. As a result, management believes that the existing financial resources are sufficient to continue operating activities for at least one year past the issuance date of the financial statements.

Operating Activities

Net cash flows used by operating activities for the six months ended June 30, 2022 amounted to \$1,888,252 and were primarily attributable to our net loss of \$2,505,944, total amortization expense of \$12,500 and depreciation of \$199,065, stock based compensation of \$689,046 and net change in assets and liabilities of \$282,919, primarily attributable to decrease in accounts receivable of \$4,921, an increase in inventory of \$350,729, an increase in unbilled revenue of \$20,394, a decrease in prepaid expense of \$39,988, a decrease in VAT receivable of \$31,876, a decrease in other current assets of \$45,666, a decrease in operating lease liabilities of \$7,041, an increase in accounts payable of \$22,354, a decrease in contract liabilities of \$9,655, and decrease in provision for income taxes of \$39,905.

Net cash flows used by operating activities for the six months ended June 30, 2021 amounted to \$1,270,837 and were primarily attributable to our net loss of \$2,261,536, total amortization expense of \$12,500 and depreciation of \$134,448, amortization of discount on debt of \$1,425,366, amortization of right to use of \$15,476 gain on extinguishment of debt of \$20,832, stock based compensation of \$14,200 and net change in assets and liabilities of \$590,459, primarily attributable to an increase in accounts receivable of \$158,079, an increase in inventory of \$790,536, an increase in unbilled revenue of \$10,171, an increase in VAT receivable of \$279,215, an increase in other current assets of \$3,664, increase in accounts payable of \$662,022, an increase in contract liabilities of \$4,469, a decrease in lease liabilities of \$15,512, and an increase in provision for income taxes of \$227.

Investing Activities

Net cash flows used in investing activities were \$395,245 and \$27,248 for the six months ended June 30, 2022 and 2021, respectively. During the six months ended June 30, 2022 and June 30, 2021, we purchased equipment, website development and leaseholds of \$395,245 and \$27,248, respectively.

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

Financing Activities

Net cash flows provided by financing activities were \$5,539,317 and \$14,997,706 for the six months ended June 30, 2022 and 2021, respectively. Net cash flows provided by financing activities were \$5,539,317 for the six months ended June 30, 2022 and were primarily attributed to proceeds from common stock offering of \$5,605,038, offset by repayments of notes payable for \$30,413 and repayments of related party payable \$35,308.

Net cash flows provided by financing activities were \$14,997,706 for the six months ended June 30, 2021 and were for, proceeds from; a convertible note payable of \$350,000, related party payable of \$114,981, the June Offering, of \$14,649,573, proceeds of warrant exercise of \$5,000 which was offset by repayments of notes payable for \$121,848.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our stockholders.

Our company has not entered into any transaction, agreement or other contractual arrangement with an entity unconsolidated with us under which we have

- an obligation under a guaranteed contract, although we do have obligations under certain sales arrangements including purchase obligations to vendors
- a retained or contingent interest in assets transferred to the unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets,
- any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument, or
- any obligation, including a contingent obligation, arising out of a variable interest in an unconsolidated entity that is held by us and material to us where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with us.

Critical Accounting Policies and Estimates

Critical accounting estimates are those that management deems to be most important to the portrayal of our financial condition and results of operations, and that require management's most difficult, subjective or complex judgments, due to the need to make estimates about the effects of matters that are inherently uncertain. We have identified our critical accounting estimates which are discussed below.

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial condition, and revenues and expenses for the years then ended. Actual results may differ significantly from those estimates. Significant estimates made by management include, but are not limited to, the assumptions used to calculate stock-based compensation, derivative liabilities and common stock issued for services.

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

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The consolidated financial statements of the Company include the Company and its wholly owned subsidiaries, Orbital Satcom Corp, Global Telesat Communications Ltd. and NextPlat B.V. All material intercompany balances and transactions have been eliminated in consolidation.

Accounts receivable and allowance for doubtful accounts

The Company has a policy of reserving for questionable accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are offset against sales and relieved from accounts receivable, after all means of collection have been exhausted and the potential for recovery is considered remote. As of June 30, 2022, and 2021, there were no allowances for doubtful accounts.

Inventories

Inventories are valued at the lower of cost or net realizable value, using the first-in first-out cost method. The Company assesses the valuation of its inventories and reduces the carrying value of those inventories that are obsolete or in excess of the Company's forecasted usage to their estimated net realizable value. The Company estimates the net realizable value of such inventories based on analysis and assumptions including, but not limited to, historical usage, expected future demand and market requirements. A change to the carrying value of inventories is recorded to cost of goods sold.

Prepaid expenses

Prepaid expenses amounted to \$106,947 and \$146,935, at June 30, 2022 and December 31, 2021, respectively. Prepaid expenses include prepayments in cash for rent, insurance and software license fees which are being amortized over the terms of the respective agreement. The current portion consists of costs paid for future services which will occur within a year.

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

Foreign Currency Translation

The Company's reporting currency is U.S. Dollars. The accounts of one of the Company's subsidiaries, GTCL, is maintained using the appropriate local currency, Great British Pound, as the functional currency. All assets and liabilities are translated into U.S. Dollars at balance sheet date, shareholders' equity is translated at historical rates and revenue and expense accounts are translated at the average exchange rate for the year or the reporting period. The translation adjustments are reported as a separate component of stockholders' equity, captioned as accumulated other comprehensive (loss) gain. Transaction gains and losses arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the statements of operations.

The relevant translation rates are as follows: for the six months ended June 30, 2022, closing rate at 1.2165 US\$: GBP, quarterly average rate at 1.256640 US\$: GBP and yearly average rate at 1.29979 US\$: GBP, for the six months ended June 30, 2021, closing rate at 1.382800 US\$: GBP, quarterly average rate at 1.397146 US\$: GBP and yearly average rate at 1.388107 US\$: GBP, for the year ended 2021 closing rate at 1.353372 US\$: GBP, yearly average rate at 1.375083 US\$: GBP.

Revenue Recognition and Unearned Revenue

The Company recognizes revenue from satellite services when earned, as services are rendered or delivered to customers. Equipment sales revenue is recognized when the equipment is delivered to and accepted by the customer. Only equipment sales are subject to warranty. Historically, the Company has not incurred significant expenses for warranties. Equipment sales which have been prepaid, before the goods are shipped are recorded as contract liabilities and once shipped is recognized as revenue. The Company also records as contract liabilities, certain annual plans for airtime, which are paid in advance. Once airtime services are incurred, they are recognized as revenue. Unbilled revenue is recognized for airtime plans whereby the customer is invoiced for its data usage the following month after services are incurred.

The Company's customers generally purchase a combination of our products and services as part of a multiple element arrangement. The Company's assessment of which revenue recognition guidance is appropriate to account for each element in an arrangement can involve significant judgment. This assessment has a significant impact on the amount and timing of revenue recognition.

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

Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation. Depreciation is based on the estimated service lives of the depreciable assets and is calculated using the straight-line method. Expenditures that increase the value or productive capacity of assets are capitalized. Fully depreciated assets are retained in the property and equipment, and accumulated depreciation accounts until they are removed from service. When property and equipment are retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. Repairs and maintenance are expensed as incurred. Leasehold improvements have an estimated service life of the term of the respective lease.

The estimated useful lives of property and equipment are generally as follows:

	<u>Years</u>
Office furniture and fixtures	4
Computer equipment	4
Rental equipment	4
Leasehold improvements	5
Appliques	10
Website development	2

Intangible assets

Intangible assets include customer contracts purchased and recorded based on the cost to acquire them. These assets are amortized over 10 years. Useful lives of intangible assets are periodically evaluated for reasonableness and the assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

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

Impairment of long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable, or at least annually. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value. The Company did not consider it necessary to record any impairment charges during the periods ended June 30, 2022 and June 30, 2021, respectively.

Accounting for Derivative Instruments

Derivatives are required to be recorded on the balance sheet at fair value. These derivatives, including embedded derivatives in the Company's structured borrowings, are separately valued and accounted for on the Company's balance sheet. Fair values for exchange traded securities and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market-based pricing models incorporating readily observable market data and requiring judgment and estimates.

The Company did not identify any assets or liabilities that are required to be presented on the consolidated balance sheets at fair value in accordance with the accounting guidance. The carrying amounts reported in the balance sheet for cash, accounts payable, and accrued expenses approximate their estimated fair market value based on the short-term maturity of the instruments.

Share-Based Payments

Compensation cost relating to share-based payment transactions are recognized in the financial statements. The cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity award).

Recent Accounting Pronouncements

Accounting Pronouncements Recently Adopted

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share* (Topic 260), *Debt—Modifications and Extinguishments* (Subtopic 470-50), *Compensation—Stock Compensation* (Topic 718), and *Derivatives and Hedging—Contracts in Entity's Own Equity* (Subtopic 815-40). ASU 2021-04 clarifies and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The ASU provides guidance to clarify whether an issuer should account for a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as (1) an adjustment to equity and, if so, the related earnings per share effects, if any, or (2) an expense and, if so, the manner and pattern of recognition. ASU 2021-04 is effective for annual beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements.

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

In October 2021, the FASB issued guidance which requires companies to apply Topic 606, Revenue from Contracts with Customers, to recognize and measure contract assets and contract liabilities from contracts with customers acquired in a business combination. Public entities must adopt the new guidance for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact and timing of adoption of this guidance.

Any new accounting standards, not disclosed above, that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our management is also required to assess and report on the effectiveness of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2021. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (2013). During our assessment of the effectiveness of internal control over financial reporting as of December 31, 2021, management identified significant deficiencies related to (i) our internal audit functions and (ii) a lack of segregation of duties within accounting functions. Therefore, our internal controls over financial reporting were not effective as of June 30, 2022.

Management has determined that our internal audit function is significantly deficient due to insufficient qualified resources to perform internal audit functions.

Due to our size and nature, segregation of all conflicting duties may not always be possible or economically feasible. However, to the extent possible, we are implementing procedures to assure that the initiation of transactions, the custody of assets and the recording of transactions will be performed by separate individuals.

We believe that the foregoing steps will remediate the significant deficiency identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate. Due to the nature of this significant deficiency in our internal control over financial reporting, there is more than a remote likelihood that misstatements which could be material to our annual or interim financial statements could occur that would not be prevented or detected.

A material weakness (within the meaning of PCAOB Auditing Standard No. 5) is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting during the six months ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On June 22, 2021, Thomas Seifert's employment as the Company's Chief Financial Officer was terminated for cause. Mr. Seifert asserts that the termination was not for cause and that he is owed compensation payable under his June 2, 2021 employment agreement. The Company's position is that Mr. Seifert is not owed any additional compensation relating to his prior service with the Company or arising under any employment agreement. The Company and Mr. Seifert are currently engaged in litigation over the matter of his employment and termination. The Company believes it has adequate defenses to Mr. Seifert's claims and has asserted affirmative claims for relief against Mr. Seifert including, but not limited to, breach of the employment agreement, breach of the fiduciary, fraud in the inducement in connection with the employment agreement, fraudulent misrepresentation, and constructive fraud. The Company does not expect to seek substantial monetary relief in the litigation. This dispute is pending before the District Court for the Southern District of Florida under Case No. 1:21-cv-22436-DPG.

On June 24, 2021, Seifert submitted an online whistleblower complaint to the Occupational Safety and Health Administration (OSHA) alleging that NextPlat engaged in retaliatory employment practices in violation of the Sarbanes-Oxley Act. NextPlat responded by moving to dismiss Seifert's complaint, citing Seifert's failure to make a *prima facie* showing that a protected activity contributed to the adverse action alleged in the complaint. On July 21, 2022, following an investigation by the Regional Administrator for OSHA, Region IV, the Secretary of Labor issued its findings, dismissing Seifert's complaint on the grounds that the OSHA investigator found that the evidence did not support Seifert's claims.

From time to time, the Company may become involved in litigation relating to claims arising out of our operations in the normal course of business. The Company is not currently involved in any pending legal proceeding or litigation, and to the best of our knowledge, no governmental authority is contemplating any proceeding to which the Company is a party or to which any of the Company's properties is subject, which would reasonably be likely to have a material adverse effect on the Company's business, financial condition and operating results.

Item 1A. Risk Factors.

This Quarterly Report on Form 10-Q should be read in conjunction with our 2021 Form 10-K, which describes various material risks and uncertainties to which we are or may become subject. These risks and uncertainties could, directly or indirectly, adversely affect our business, results of operations, financial condition, liquidity, or cash flows and could cause our actual results to differ materially from our past results or the results contemplated by any forward-looking statements we make.

Material changes from the risk factors set forth in our 2021 Form 10-K are set forth below:

Whether a particular non-fungible token (NFT) or other digital or “crypto” asset is a “security” is subject to a high degree of uncertainty, and if we are unable to properly characterize an NFT or other digital asset, we may be subject to regulatory scrutiny, inquiries, investigations, fines, and other penalties, which may adversely affect our business, operating results, and financial condition.

The SEC and its staff have taken the position that certain digital or “crypto” assets (which includes NFTs) fall within the definition of a “security” under the U.S. federal securities laws. The legal test for determining whether any given digital asset is a security is a highly complex, fact-driven analysis that evolves over time, and the outcome is difficult to predict. The SEC generally does not provide advance guidance or confirmation on the status of any particular digital asset as a security. Furthermore, the SEC’s views in this area have evolved over time and it is difficult to predict the direction or timing of any continuing evolution. It is also possible that a change in the governing administration or the appointment of new SEC commissioners could substantially impact the views of the SEC and its staff.

Several foreign jurisdictions have taken a broad-based approach to classifying digital assets as “securities,” while certain other foreign jurisdictions have adopted a narrower approach. As a result, certain digital assets may be deemed to be a “security” under the laws of some jurisdictions but not others. Various foreign jurisdictions may, in the future, adopt additional laws, regulations, or directives that affect the characterization of digital assets as “securities.”

The classification of a digital asset as a security under applicable law has wide-ranging implications for the regulatory obligations that flow from the offer and sale of such assets. For example, a digital asset that is a security in the United States may generally only be offered or sold in the United States pursuant to a registration statement filed with the SEC or in an offering that qualifies for an exemption from registration. Persons that effect transactions in digital assets that are securities in the United States may be subject to registration with the SEC as a “broker” or “dealer.” Platforms that bring together purchasers and sellers to trade digital assets that are securities in the United States are generally subject to registration as national securities exchanges, or must qualify for an exemption, such as by being operated by a registered broker-dealer as an alternative trading system (ATS) in compliance with rules for ATSs. Persons facilitating clearing and settlement of securities may be subject to registration with the SEC as a clearing agency. Foreign jurisdictions may have similar licensing, registration, and qualification requirements.

With respect to the securities status of an NFT that we propose to post to our platform, we will follow an internally developed model that will permit us to make a risk-based assessment regarding the likelihood that a particular NFT could be deemed a “security” within the meaning of the U.S. federal and/or state securities laws in determining if and how an NFT can be posted on our platform. This process will involve employees trained to identify the indicia of a “security” who will also work with outside legal counsel experienced in crypto asset regulatory matters to make a determination with respect to each NFT, or category of NFT, proposed to be posted on our platform. These processes and procedures are risk-based assessments and are not a legal standard or binding on regulators or courts. In the event an NFT or other digital asset is deemed by us, pursuant to the above analysis, to possess a reasonable likelihood of being deemed a security, we will (a) comply with applicable laws and regulations by forming, acquiring or engaging a licensed broker-dealer authorized to act as an trading system for those digital assets, or (b) transact in such digital assets offshore in a way that complies with applicable laws and regulations; or (c) not transact in the subject NFT. Regardless of our conclusions, we could be subject to legal or regulatory action in the event the SEC, a state or foreign regulatory authority, or a court were to determine that an NFT posted and sold on our platform is a “security” under applicable laws. Because our platform is not registered or licensed with the SEC or foreign authorities as a broker-dealer, national securities exchange, or ATS (or foreign equivalents), and we do not seek to register or rely on an exemption from such registration or license to facilitate the offer and sale of NFTs on our platform, we will only permit posting on our platform of those NFTs for which we determine there are reasonably strong arguments to conclude that the NFT is not a security. We believe that our process reflects a comprehensive and thoughtful analysis and is reasonably designed to facilitate consistent application of available legal guidance to digital assets to facilitate informed risk-based business judgment. However, we recognize that the application of securities laws to the specific facts and circumstances of digital assets may be complex and subject to change, and that a posting determination does not guarantee any conclusion under the U.S. federal securities laws. We expect our risk assessment policies will continuously evolve to take into account developments in case law, applicable facts, developments in technology, and changes in applicable regulatory schemes.

There can be no assurances that we will properly characterize any given NFT as a security or non-security for purposes of determining whether our platform will allow the posting of such NFT, or that the SEC, foreign regulatory authority, or a court, if the question was presented to it, would agree with our assessment. If the SEC, state or foreign regulatory authority, or a court were to determine that NFTs offered or sold on our platform are securities, we would not be able to offer such NFTs until we are able to do so in a compliant manner. A determination by the SEC, a state or foreign regulatory authority, or a court that an NFT posted and sold on our platform was a security may also result in us determining that it is advisable to remove NFTs from our platform that have similar characteristics to the NFT that was determined to be a security. In addition, we could be subject to judicial or administrative sanctions for failing to offer or sell the NFT in compliance with the registration requirements, or for acting as a broker, dealer, or national securities exchange without appropriate registration. Such an action could result in injunctions, cease and desist orders, as well as civil monetary penalties, fines, and disgorgement, criminal liability, and reputational harm. Customers that purchased such NFTs on our platform and suffered losses could also seek to rescind a transaction that we facilitated as the basis that it was conducted in violation of applicable law, which could subject us to significant liability. We may also be required to cease facilitating transactions in other similar NFTs, which could negatively impact our business, operating results, and financial condition.

We are subject to payments-related regulations and risks.

We may provide regulated services in certain jurisdictions because we enable customers to keep account balances with us and transfer money to third parties, and because we may provide services to third parties to facilitate payments on their behalf. In these jurisdictions, we may be subject to requirements for licensing, regulatory inspection, bonding and capital maintenance, the use, handling, and segregation of transferred funds, consumer disclosures, and authentication. We are also subject to, or voluntarily comply with, a number of other laws and regulations relating to payments, money laundering, international money transfers, know-your-customer requirements (KYC), privacy and information security, and electronic fund transfers. If we were found to be in violation of applicable laws or regulations, we could be subject to additional requirements and civil and criminal penalties or forced to cease providing certain services.

The uncertain application of a myriad of state and federal laws to our NextPlat Digital business may expose us to regulatory enforcement and civil or criminal sanction should a legal authority determine that our approach to compliance is inadequate or inappropriate.

The legal status of NFTs under a myriad of state and federal laws and regulatory regimes (including without limitation, securities, banking, and commodities laws) is highly uncertain and unresolved, and the applicability of various of those regimes to any NFTs that we may propose to post on our platform is also unresolved. Our creation and operation of NextPlat Digital will present a number of new regulatory and legal compliance obligations for the Company, including the potential need to comply with “Know Your Customer” (“KYC”) rules and custom and practice, as well as with the applicable Anti-Money Laundering laws and regulations (“AML”) and Combating the Financing of Terrorism (“CFT”), among others. As a result of the uncertain legal status of digital assets we may have legal exposure for our failure to adequately comply with legal regimes that are known to us. In addition governmental agencies may seek to apply laws to our NextPlat Digital business that we believe are inapplicable, and may seek sanctions relating to our alleged failure to comply with those laws.

Our transaction of digital asset business involving the use of crypto wallets and cryptocurrencies may expose us to allegations of violation of applicable KYC, AML and CFT and other compliance requirements.

When onboarding new users, we intend to utilize third-party tools to proactively screen for high-risk crypto wallets, including explicitly sanctioned addresses and addresses associated with sanctioned entities. The applicable legal requirements and our compliance obligations will vary depending on the nature of the client, the service or product provided and jurisdiction. For example, if we engage, form or acquire a broker dealer in order to post, trade or sell NFTs or other digital assets that are securities, we will attempt to fully comply with all applicable KYC, AML and CFT compliance requirements. Given the substantial legal uncertainties that may be presented by those laws and given the informational constraints presented by crypto wallets we may be exposed to regulatory enforcement and civil or criminal sanction, as well as to claims asserting civil liability.

Ownership of digital assets is pseudonymous, and the supply is often unknown. Individuals or entities with substantial holdings may engage in large-scale sales or distributions, either on non-market terms or in the ordinary course, which could disproportionately and negatively affect the market, result in a reduction in the price of the digital asset and materially and adversely affect the price of our common stock.

Generally, there is no registry showing which individuals or entities own a digital asset or the quantity that is owned by any particular person or entity. There are no regulations in place that would prevent a large holder of a digital asset from selling it. To the extent such large holders engage in large-scale sales or distributions, either on non-market terms or in the ordinary course, it could negatively affect the market for the digital asset and result in a reduction in the price. This, in turn, could materially and adversely affect the price of our stock, our business, prospects, financial condition, and operating results.

Because there has been limited precedent set for financial accounting for digital assets, the determinations that we have made for how to account for digital assets transactions may be subject to change.

Because there has been limited precedent set for the financial accounting for digital assets and related revenue recognition and no official guidance has yet been provided by the Financial Accounting Standards Board or the SEC, it is unclear how companies may in the future be required to account for cryptocurrency transactions and assets and related revenue recognition. A change in regulatory or financial accounting standards could result in the necessity to change the accounting methods we currently intend to employ in respect of our anticipated revenues and assets and restate any financial statements produced based on those methods. Such a restatement could adversely affect our business, prospects, financial condition and results of operation.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On January 5, 2022, the Company issued 2,229,950 shares of common stock pursuant to a private placement offering at a per share price of \$3.24, resulting in gross proceeds of \$7,225,038. Legal and registration fees amounted to \$220,000, resulting in net proceeds of \$7,005,038. Prior to the private placement close, proceeds of \$1,400,000, were received and recorded as a stock subscription payable, for the year ended December 31, 2021.

On January 21, 2022, the Company issued 10,000 shares of common stock, pursuant to a restricted stock award, "RSA" granted on January 7, 2022 and effective on January 20, 2022. The award is for 20,000 restricted shares of common, which vest in two equal installments, the first on effective date and the remaining on the one year anniversary of the effective date, with a fair market value of \$3.48 per share, on the date of issuance. All shares were fully vested and upon issuance resulted in stock-based compensation of \$34,800. Shares were issued in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, as there was no general solicitation, and the transaction did not involve a public offering.

On February 15, 2022, the Company filed Form S-3, to register 2,269,950 shares of common stock. On March 22, 2022, April 22, 2022, May 25, 2022 and June 14, 2022, the Company filed a Form S-3/A Amendment No. 1, 2, 3 and 4, respectively.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

- 10.1+ [Amendment No. 1 Employment Agreement, dated May 2, 2022, by and between NextPlat Corp and Andrew Cohen as filed herewith.](#)
- 10.2+ [Stock Option Agreement, dated July 1, 2022, by and between NextPlat Corp and Charles M. Fernandez, as filed herewith](#)
- 10.3+ [Restricted Stock Agreement, dated July 22, 2022, by and between NextPlat Corp and Charles M. Fernandez, as filed herewith](#)
- 31.1 [Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1 [Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

- 101.ins Inline XBRL Instance Document
- 101.sch Inline XBRL Taxonomy Schema Document
- 101.cal Inline XBRL Taxonomy Calculation Document
- 101.def Inline XBRL Taxonomy Linkbase Document
- 101.lab Inline XBRL Taxonomy Label Linkbase Document
- 101.pre Inline XBRL Taxonomy Presentation Linkbase Document
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

- + Management contract or compensatory plan.

SIGNATURES

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

Dated: August 15, 2022

NEXTPLAT CORP

By: */s/ Charles M. Fernandez*

Charles M. Fernandez
Chairman and Chief Executive Officer
(principal executive officer)

/s/ Paul R. Thomson

Paul R. Thomson
Chief Financial Officer
(principal financial officer)

AMENDMENT TO EMPLOYMENT AGREEMENT

THE EMPLOYMENT AGREEMENT (“Agreement”) made and entered into on October 8, 2021, by and between **NEXTPLAT CORP.** *f/k/a* Orbsat Corp., a Nevada corporation with offices located at 18851 N.E. 29th Ave, Suite 700, Aventura, FL 33180 (the “Corporation”), and **Andrew S. Cohen** (the “Employee”), is amended as follows:

Section 4(a) of the Agreement shall be deleted and replaced to read as follows:

(a) The Corporation shall pay the Employee as compensation for his services hereunder, in monthly installments during the Term, the sum of \$125,000 (the “Annual Base Salary”), less such deductions as shall be required to be withheld by applicable law and regulations, and monthly advances against the salary, if any. The Corporation shall review the Base Salary on an annual basis and has the right, but not the obligation, to increase it, but such salary shall not be decreased during the Term.

Section 6(c) of the Agreement shall be deleted and replaced to read as follows:

(b) Upon termination of the Employee’s employment pursuant to Section 5(a)(v) or other than pursuant to Section 5(a)(i), 5(a)(ii), 5(a)(iii), 5(a)(iv), or 5(a)(vi) (i.e., without “Cause”), in addition to the accrued but unpaid compensation and vacation pay through the end of the Term, or any then applicable extension of the Term, and any other benefits accrued to him under any Benefit Plans outstanding at such time and the reimbursement of documented, unreimbursed expenses incurred prior to such date, the Employee shall be entitled to the following severance benefits: (i) a cash payment equal to \$75,000.00, to be paid in a single lump sum payment not later than sixty (60) days following such termination, less withholding of all applicable taxes; (ii) continued provision for a period of twelve (12) months after the date of termination of the benefits under Benefits Plans extended from time to time by the Corporation to its senior Employees; and (iii) payment on a pro-rated basis of any bonus or other payments earned in connection with any bonus plan to which the Employee was a participant as of the date of the Employee’s termination of Employment. In addition, any options or restricted stock shall be immediately vested upon termination of Employee’s employment pursuant to Section 5(a)(v) or by the Corporation without “Cause.”

Except for the above changes, the terms and conditions of the Agreement shall remain in full force and effect.

CORPORATION:
NEXTPLAT CORP.

EMPLOYEE:

By: Charles Fernandez
Title: Chief Executive Officer

By: Andrew S. Cohen
Title: Senior Vice President of Operations

**NEXTPLAT CORP
2021 INCENTIVE AWARD PLAN**

STOCK OPTION GRANT NOTICE

Capitalized terms not specifically defined in this Stock Option Grant Notice (the “*Grant Notice*”) have the meanings given to them in the 2021 Incentive Award Plan (as amended from time to time, the “*Plan*”) of NEXTPLAT CORP (the “*Company*”).

The Company has granted to the participant listed below (“*Participant*”) the stock option described in this Grant Notice (the “*Option*”), subject to the terms and conditions of the Plan and the Stock Option Agreement attached as **Exhibit A** (the “*Agreement*”), both of which are incorporated into this Grant Notice by reference.

Participant:	Charles M. Fernandez
Grant Date:	July 1, 2022
Exercise Price per Share:	\$2.13
Shares Subject to the Option:	70,000
Final Expiration Date:	July 1, 2032
Vesting Commencement Date:	July 1, 2022
Vesting Schedule:	The award is fully vested on Grant Date
Type of Option	Non-Qualified Stock Option

By Participant’s signature below, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Agreement.

NEXTPLAT CORP

By: /s/ David Phipps
Name: David Phipps
Title: President

PARTICIPANT

/s/ Charles M. Fernandez
Charles M. Fernandez

STOCK OPTION AGREEMENT

Capitalized terms not specifically defined in this Agreement have the meanings specified in the Grant Notice or, if not defined in the Grant Notice, in the Plan.

**ARTICLE I.
GENERAL**

1.1 Grant of Option. The Company has granted to Participant the Option effective as of the grant date set forth in the Grant Notice (the "**Grant Date**").

1.2 Incorporation of Terms of Plan. The Option is subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

**ARTICLE II.
PERIOD OF EXERCISABILITY**

2.1 Commencement of Exercisability. The Option will vest and become exercisable according to the vesting schedule in the Grant Notice (the "**Vesting Schedule**") except that any fraction of a Share as to which the Option would be vested or exercisable will be accumulated and will vest and become exercisable only when a whole Share has accumulated. Notwithstanding anything in the Grant Notice, the Plan or this Agreement to the contrary, unless the Administrator otherwise determines, the Option will immediately expire and be forfeited as to any portion that is not vested and exercisable as of Participant's Termination of Service for any reason.

2.2 Duration of Exercisability. The Vesting Schedule is cumulative. Any portion of the Option which vests and becomes exercisable will remain vested and exercisable until the Option expires. The Option will be forfeited immediately upon its expiration.

2.3 Expiration of Option. The Option may not be exercised to any extent by anyone after, and will expire on, the first of the following to occur:

(a) The final expiration date in the Grant Notice;

(b) Except as the Administrator may otherwise approve, the expiration of three (3) months from the date of Participant's Termination of Service, unless Participant's Termination of Service is for Cause or by reason of Participant's death or Disability;

(c) Except as the Administrator may otherwise approve, the expiration of one (1) year from the date of Participant's Termination of Service by reason of Participant's death or Disability; and

(d) Except as the Administrator may otherwise approve, Participant's Termination of Service for Cause.

**ARTICLE III.
EXERCISE OF OPTION**

3.1 Person Eligible to Exercise. During Participant's lifetime, only Participant may exercise the Option. After Participant's death, any exercisable portion of the Option may, prior to the time the Option expires, be exercised by Participant's Designated Beneficiary as provided in the Plan.

3.2 Partial Exercise. Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised, in whole or in part, according to the procedures in the Plan at any time prior to the time the Option or portion thereof expires, except that the Option may only be exercised for whole Shares.

3.3 Tax Withholding.

(a) The Company has the right and option, but not the obligation, to treat Participant's failure to provide timely payment in accordance with the Plan of any withholding tax arising in connection with the Option as Participant's election to satisfy all or any portion of the withholding tax by requesting the Company retain Shares otherwise issuable under the Option.

(b) Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the Option, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the Option. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or exercise of the Option or the subsequent sale of Shares. The Company and the Subsidiaries do not commit and are under no obligation to structure the Option to reduce or eliminate Participant's tax liability.

**ARTICLE IV.
OTHER PROVISIONS**

4.1 Adjustments. Participant acknowledges that the Option is subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan.

4.2 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company's Secretary at the Company's principal office or the Secretary's then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant (or, if Participant is then deceased, to the person entitled to exercise the Option) at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation.

4.3 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

4.4 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

4.5 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

4.6 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement and the Option will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

4.7 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

4.8 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

4.9 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Option, and rights no greater than the right to receive the Shares as a general unsecured creditor with respect to the Option, as and when exercised pursuant to the terms hereof.

4.10 Not a Contract of Employment. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes with or restricts in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

4.11 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

4.12 Incentive Stock Options. If the Option is designated as an Incentive Stock Option:

(a) Participant acknowledges that to the extent the aggregate fair market value of shares (determined as of the time the option with respect to the shares is granted) with respect to which stock options intended to qualify as "incentive stock options" under Section 422 of the Code, including the Option, are exercisable for the first time by Participant during any calendar year exceeds \$100,000 or if for any other reason such stock options do not qualify or cease to qualify for treatment as "incentive stock options" under Section 422 of the Code, such stock options (including the Option) will be treated as non-qualified stock options. Participant further acknowledges that the rule set forth in the preceding sentence will be applied by taking the Option and other stock options into account in the order in which they were granted, as determined under Section 422(d) of the Code. Participant acknowledges that amendments or modifications made to the Option pursuant to the Plan that would cause the Option to become a Non-Qualified Stock Option will not materially or adversely affect Participant's rights under the Option, and that any such amendment or modification shall not require Participant's consent. Participant also acknowledges that if the Option is exercised more than three (3) months after Participant's Termination of Service as an Employee, other than by reason of death or disability, the Option will be taxed as a Non-Qualified Stock Option.

(b) Participant will give prompt written notice to the Company of any disposition or other transfer of any Shares acquired under this Agreement if such disposition or other transfer is made (a) within two (2) years from the Grant Date or (b) within one (1) year after the transfer of such Shares to Participant. Such notice will specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by Participant in such disposition or other transfer.

* * * * *

NEXTPLAT CORP
RESTRICTED STOCK AGREEMENT
(Non-Assignable)

**600,000 Shares of Restricted Stock of
NextPlat Corp**

THIS RESTRICTED STOCK AGREEMENT (this “**Agreement**”) is entered into on July 22, 2022 by and between NextPlat Corp., a Nevada corporation formerly known as Orbsat Corp. (the “**Corporation**”), and Charles M. Fernandez (“**Holder**”).

RECITALS

A. The Corporation entered into that certain Employment Agreement with Holder dated May 23, 2021, which was subsequently amended, restated and replaced in its entirety on June 2, 2021 (as amended, the “**Employment Agreement**”), with an initial term of five years effective on May 28, 2021.

B. Pursuant to the Employment Agreement, on May 28, 2021 (the “**Award Date**”) the Corporation awarded Holder a restricted stock award of 600,000 shares of fully paid and non-assessable shares (the “**Restricted Shares**”) of the Corporation’s common stock (par value \$0.0001 per share) (the “**Award**”), which Restricted Shares, pursuant to the terms of the Employment Agreement, vest pursuant to the vesting schedule set forth in Paragraph 1(b) below (the “**Vesting Schedule**”).

C. A determination of the Compensation Committee (the “**Committee**”) of the Board of Directors of the Corporation (the “**Board**”) as to any questions which may arise with respect to the interpretation of the provisions of this award shall be final.

D. The parties wish to memorialize the Award in accordance with the terms and conditions set forth below.

AGREEMENT

TERMS AND CONDITIONS. It is understood and agreed that the award evidenced by this Agreement is subject to the following terms and conditions:

1. Award, Issuance and Vesting.

(a) Award. The Restricted Shares shall be issued in accordance with the Vesting Schedule and held by the Corporation’s transfer agent in book-entry form, and the Holder’s name shall be entered as the stockholder of record on the books of the Corporation. The Holder shall have all the rights of a stockholder with respect to such Restricted Shares, including voting and dividend rights, upon the issuance and vesting of such shares. The Holder shall have no rights of a stockholder with respect to any unvested Restricted Shares. The Holder shall (i) sign and deliver to the Corporation a copy of this Agreement and (ii) deliver to the Corporation stock powers endorsed in blank if requested by the Corporation.

(b) Issuance and Vesting of Restricted Shares. The restrictions and conditions in Paragraphs 1(a) and 7(b) of this Agreement shall lapse upon the earlier of (i) the Vesting Date specified in the Vesting Schedule. If a series of Vesting Dates is specified, then the restrictions and conditions in Paragraphs 1(a) and 7(b) shall lapse only with respect to the number of Restricted Shares specified as vested on such date. The Restricted Shares shall vest and be issued as follows:

Vesting Schedule

<u>Incremental Number of Restricted Shares Issued</u>	<u>Issuance Date</u>	<u>Vesting Date</u>
200,000	One year anniversary of Award Date	Upon Issuance
200,000	Two year anniversary of Award Date	Upon Issuance
200,000	Three year anniversary of Award Date	Upon Issuance

2. Regulatory Compliance and Listing. The issuance or delivery of any stock certificates representing Restricted Shares may be postponed by the Corporation for such period as may be required to comply with any applicable requirements under the federal securities laws, any applicable listing requirements of any national securities exchange, any rules, regulations or other requirements under any other law, or any rules or regulations applicable to the issuance or delivery of such Restricted Shares, and the Corporation shall not be obligated to deliver any such Restricted Shares to the Holder if delivery thereof would constitute a violation of any provision of any law or of any regulation of any governmental authority or any national securities exchange.

3. Investment Representations and Related Matters. The Holder hereby represents that the Restricted Shares awarded pursuant to this Agreement are being acquired for investment purposes and not for resale or with a view towards distribution thereof. The Holder acknowledges and agrees that any sale or distribution of Restricted Shares may be made only pursuant to either (a) a registration statement on an appropriate form under the Securities Act of 1933, as amended (“**Securities Act**”), which registration statement has become effective and is current with regard to the Restricted Shares being sold, or (b) a specific exemption from the registration requirements of the Securities Act that is confirmed in a favorable written opinion of counsel, in form and substance satisfactory to counsel for the Corporation, prior to any such sale or distribution. The Holder hereby consents to such action as the Corporation deems necessary or appropriate from time-to-time to prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act or to implement the provisions of this Agreement, including but not limited to placing restrictive legends on certificates evidencing Restricted Shares and delivering stop transfer instructions to the Corporation’s stock transfer agent.

4. No Right To Continued Engagement. This Agreement does not impose any obligation on the Corporation or any of its subsidiaries or affiliated companies to continue the engagement of Holder. Further, the Corporation may at any time terminate the engagement of Holder, free from any liability or claim under the Plan or this Agreement.

5. Construction. This Agreement will be construed by and administered under the supervision of the Committee, and all determinations will be final and binding on the Holder.

6. Dilution. Nothing in this Agreement will restrict or limit in any way the right of the Committee to issue or sell stock of the Corporation (or securities convertible into stock of the Corporation) on such terms and conditions as it deems to be in the best interests of the Corporation, including, without limitation, stock and securities issued or sold in connection with mergers and acquisitions, stock issued or sold in connection with any stock option or similar plan, and stock issued or contributed to any stock bonus or employee stock ownership plan.

7. Legends and Restrictions.

(a) The Restricted Shares shall bear a notation or legend in substantially the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS, OR (B) AN OPINION OR COUNSEL, IN A REASONABLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR APPLICABLE STATE SECURITIES LAWS, OR (II) UNLESS SOLD PURSUANT TO RULE 144 UNDER SAID ACT.

(b) Restricted Shares may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of by the Holder prior to vesting.

8. Tax Withholding. The Holder shall, not later than the date as of which the receipt of this award becomes a taxable event for Federal income tax purposes, pay to the Corporation any Federal, state, and local taxes required by law to be withheld on account of such taxable event. Except in the case where an election is made pursuant to Paragraph 9 below, the Corporation shall have the authority to cause the required minimum tax withholding obligation to be satisfied, in whole or in part, by withholding from shares of stock to be issued or released by the transfer agent a number of shares of stock with an aggregate fair market value that would satisfy the minimum withholding amount due.

9. Election Under Section 83(b). The Holder and the Corporation hereby agree that the Holder may, within 30 days following the date of this Agreement, file with the Internal Revenue Service and the Corporation an election under Section 83(b) of the Internal Revenue Code. In the event the Holder makes such an election, he or she agrees to provide a copy of the election to the Corporation. The Holder acknowledges that he or she is responsible for obtaining the advice of his or her tax advisors with regard to the Section 83(b) election and that he or she is relying solely on such advisors and not on any statements or representations of the Corporation or any of its agents with regard to such election.

10. Award Subject to Plan; Amendment. By entering into this Agreement, Holder agrees and acknowledges that Holder has received and read a copy of the Plan. The Restricted Shares are subject to the Plan. The terms and provisions of the Plan, as it may be amended from time to time, are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail. The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate this Agreement, but no such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination shall materially adversely affect the rights of Holder hereunder without the consent of Holder.

11. Notices. Any notice hereunder to the Corporation shall be addressed to it at NextPlat Corp, 3250 Mary St., Suite 410, Coconut Grove, FL 33133, Attention: President, and any notice hereunder to the Holder shall be addressed to the Holder at the last known home address shown in the records of the Corporation, subject to the right of any party hereto to designate another address at any time hereafter in writing.

12. Counterparts. This Agreement may be executed in counterparts each of which taken together shall constitute one and the same instrument.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of the State of Florida without reference to principles of conflicts of laws.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Corporation caused this Agreement to be executed by a duly authorized officer.

NEXTPLAT CORP

By: /s/ David Phipps

Name: David Phipps

Title: President and CEO of Global Operations

Dated: July 22, 2022

ACCEPTED AND ACKNOWLEDGED:

/s/Charles M. Fernandez

Charles M Fernandez

Dated: July 22, 2022

ORBSAT CORP

Notice of Issuance of Stock Award

I hereby authorize the issuance of the stock award granted to me pursuant to the Employment Agreement dated as of May 23, 2021 (as amended) by NextPlat Corp (the "Corporation"), with respect to the following number of shares of the Company's common stock ("Shares"), par value \$0.0001 per Share, covered by said award:

Number of Shares to be issued: **200,000**

Price per Share: \$5.00

Please have the book entry form of certificate representing the purchased Shares registered in the following name or names eApeiron Partners:

Charles M. Fernandez

July [], 2022

*Certificates may be registered in the name of the Holder alone or in the joint names (with right of survivorship) of the Holder and his or her spouse.

IN WITNESS WHEREOF, the Company has caused this Stock Award Agreement to be duly executed by its duly authorized officer, and the Holder has hereunto set his hand and seal, all as of the ____ day of July 2022.

By:

David Phipps
President and CEO of Global Operations

CERTIFICATIONS

I, Charles M. Fernandez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NextPlat Corp for the quarter ended June 30, 2022;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2022

/s/ Charles M. Fernandez

Charles M. Fernandez
Chairman and Chief Executive Officer
(principal executive officer)

CERTIFICATIONS

I, Paul R. Thomson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NextPlat Corp for the quarter ended June 30, 2022;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2022

/s/ Paul R. Thomson

Paul R. Thomson
Chief Financial Officer
(principal financial officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NextPlat Corp (the "Company") on Form 10-Q for the fiscal period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Phipps, Chief Executive Officer of the Company, and I, Thomas Seifert, Chief Financial Officer of the Company, duly certify pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results operations of the Company.

Dated: August 15, 2022

By: /s/ Charles M. Fernandez

Charles M. Fernandez
Chairman and Chief Executive Officer
(principal executive officer)

/s/ Paul R. Thomson

Paul R Thomson
Chief Financial Officer
(principal financial officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
