

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-40447

**NEXTPLAT CORP**

(Exact name of registrant as specified in its charter)

**Nevada**

**65-0783722**

(State or other jurisdiction of  
incorporation or organization)

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

**3250 Mary St., Suite 410  
Coconut Grove, FL**

**33133**

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **(305) 560-5355**

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value \$0.0001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) 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, or a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2022), was \$14,196,387 based on the price at which the common equity was last sold on the NASDAQ on that date.

The number of outstanding shares of the registrant's common stock, par value \$0.0001 per share, as of March 30, 2023, was 14,441,025.

#### Documents Incorporated by Reference

Portions of the Registrant's definitive proxy statement relating to its 2023 annual meeting of shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The Registrant's definitive proxy statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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**NEXTPLAT CORP**  
**ANNUAL REPORT ON FORM 10-K**  
**Fiscal Year Ended December 31, 2022**

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## PART I

### Cautionary Statement Regarding Forward-Looking Statements

*Portions of this Annual Report on Form 10-K (including information incorporated by reference) include “forward-looking statements” based on our current beliefs, expectations, and projections regarding our business strategies, market potential, future financial performance, industry, and other matters. This includes, in particular, “Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Annual Report on Form 10-K, as well as other portions of this Annual Report on Form 10-K. The words “believe,” “expect,” “anticipate,” “project,” “could,” “would,” and similar expressions, among others, generally identify “forward-looking statements,” which speak only as of the date the statements were made. The matters discussed in these forward-looking statements are subject to risks, uncertainties, and other factors that could cause our actual results to differ materially from those projected, anticipated, or implied in the forward-looking statements. The most significant of these risks, uncertainties, and other factors are described in “Item 1A — Risk Factors” of this Annual Report on Form 10-K. Except to the limited extent required by applicable law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.*

### Item 1. Business

#### Corporate Information

NextPlat Corp, formerly Orbsat Corp (“NextPlat”), is a Nevada corporation and was originally incorporated in Florida in 1997. Our headquarters and principal executive offices are located at 3250 Mary St., Suite 410, Coconut Grove, FL 33133. Our telephone number is (305) 560-5355, and our corporate website is [www.nextplat.com](http://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.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. The SEC also maintains an Internet site that contains annual, quarterly and current reports, proxy and information statements and other information that we (together with other issuers) file electronically. The SEC’s Internet site is [www.sec.gov](http://www.sec.gov). We make available free of charge on or through our website our annual, quarterly and current reports and amendments to those reports as soon as reasonably practicable after we electronically file such material with or furnish it to the SEC.

The contents of our website or any other website are not incorporated by reference into this Annual Report on Form 10-K.

All share and per share, information in the accompanying consolidated financial statements and footnotes has been retroactively restated to reflect the reverse splits described above.

#### Our Business

Leveraging the e-commerce experience of our management team and our 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 on platforms such as Alibaba, Amazon, OnBuy, and Walmart. These e-commerce venues form an effective global network serving thousands of consumers, enterprises, and governments. We are actively pursuing distribution, marketing and license arrangements and joint ventures with companies that could distribute their products through our e-commerce platform. We may also seek to joint venture with or purchase part or all of businesses that manufacture or distribute products, particularly those that we believe we could market through our e-commerce platform, as well as business that could enhance our e-commerce platform. As part of our efforts to enhance our e-commerce platform we have 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”) will enable the use of a range of digital assets, such as non-fungible tokens (“NFTs”), in e-commerce and in community-building activities.

### ***Recent Investments in Progressive Care Inc.***

During 2022, with a view to enhancing our product and services offerings, we invested in securities issued by Progressive Care Inc. Progressive Care Inc. (OTCQB: RXMD) (“Progressive”) is a Florida health services organization and provider of Third-Party Administration (TPA), data management, COVID-19 related diagnostics and vaccinations, 340B contracted pharmacy services, prescription pharmaceuticals, compounded medications, provider of tele-pharmacy services, the sale of anti-retroviral medications, medication therapy management (MTM), the supply of prescription medications to long-term care facilities, and health practice risk management. Our Executive Chairman and Chief Executive Officer, Charles Fernandez, was appointed as the Chairman and Chief Executive Officer of Progressive in November 2022 along with our Board member, Mr. Rodney Barreto, who was appointed to serve as Vice Chairman of Progressive’s board of directors. Our holdings in Progressive include preferred stock, common stock, warrants and convertible debt, and we currently account for it on the equity method. In addition, we have extended an equity line of credit to Progressive. Through conversion of our convertible debt and warrants as well as via securities issuances that would result from utilization of the equity line of credit, we are able to own more than 50% of the voting equity securities of Progressive should we choose to do so. We have determined to use our ownership of the above securities to assert significant influence over Progressive Care, and we are in the process of assessing whether we should take steps to obtain further control of Progressive and/or integrate Progressive’s business with our own; or whether we should maintain it as a separate business.

### ***Communications Products and Services***

Through our legacy 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. As we proceed to grow and enhance our e-commerce business and product offerings, we will consider whether we should retain our Global Telesat Communications Ltd and Orbital Satcom Corp business units, or whether we should sell or spin them off.

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 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 e-commerce storefront presence in 18 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 allows 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.

## ***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 the 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, OnBuy and Walmart. We currently operate 25 storefronts across various countries on 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 10,000 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 online marketplaces represented approximately 54.3% and 63.6% of total sales for the years ended December 31, 2022, and 2021, respectively and 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. Starting in 2021, senior management of the Company invested in a comprehensive systems upgrade project with the goal of building a state-of-the-art e-commerce platform. This implementation is substantially complete, and the Company is collaborating with businesses to optimize their ability to sell their goods online, domestically, and internationally, enabling customers and partners to optimize their e-commerce presence and revenue.

Expanding beyond our current global network of online storefronts serving thousands of consumers, enterprises, and governments, we are developing a next generation platform for digital assets built for Web3.NextPlat Digital which has been designed and developed in collaboration with consultants and contracted developers, will enable a range of digital assets, such as non-fungible tokens ("NFTs"), in e-commerce and in community-building activities. As currently contemplated, NextPlat Digital will facilitate the creation/minting, purchase and sale of a broad range of NFT products, including, but not limited to, art, music, collectables, digital real estate, video games and game items. NextPlat Digital will be used to create both (a) public marketplaces, for us and third parties, where anyone with a crypto wallet can buy and sell their own NFTs, and (b) private marketplaces that only allow a particular company or entity to sell their own NFTs (such as for the promotion of a particular brand or product).

## **Industry and Market**

We compete in the mobile satellite products and services sector of the global communications industry. The products and airtime that we sell are intended to meet users' needs for connectivity in all locations where existing terrestrial wireline and wireless communications networks do not exist, do not provide sufficient coverage, or are impaired. Government organizations, including military and intelligence agencies and disaster response agencies, non-governmental organizations and industrial operations and support teams depend on mobile voice and data satellite communications products and services on a regular basis. Businesses with global operations require reliable communications services when operating in remote locations around the world. Mobile satellite services users span many sectors, including emergency services, maritime, aviation, government, utilities, oil and gas, mining, recreation, forestry, heavy equipment, construction, and transportation, among others. We believe many of our customers view satellite communications products and services as critical to their daily operations.

There is we believe a fast growing, multi-billion-dollar global market for a small and cost-effective solution for receiving and processing mobile voice and data communications from remote locations used in applications such as tracking vehicles or asset shipments, monitoring unattended remote assets or mobile security. Over the past two decades, the global mobile satellite services market has experienced significant growth. Increasingly, better-tailored, improved-technology products and services are creating new channels of demand for mobile satellite services. Growth in demand for mobile satellite voice services is driven by the declining cost of these services, the diminishing size and lower costs of the devices, as well as heightened demand by governments, businesses and individuals for ubiquitous global voice and data coverage. We believe our solutions are ideally suited for industries such as maritime, aviation, government/military, emergency/humanitarian services, mining, forestry, oil and gas, heavy equipment, transportation and utilities, as well as recreational users. We do not tailor our products and services to different types of customers as in our experience military, non-profit, government and recreational users tend to purchase the same types of products and services.

## Competition

The global satellite communications industry is highly competitive. In certain regions, such as North America, we currently face substantial competition from other service providers that offer a range of mobile and fixed communications options. In other regions, such as the UK and EU, we have a strong presence and are one of the leading providers of satellite communicators, emergency locator beacons and satellite tracking devices. We compete primarily on the basis of coverage, quality, portability, pricing and in the case of our e-commerce storefronts, availability of services and products.

The competitors for our satellite telecommunications services and products are other resellers of leading satellite networks such as Iridium, Inmarsat, Thuraya and Globalstar, some of which are also our suppliers. We expect the competition for our satellite telecommunications services and our satellite tracking and monitoring services to increase significantly as market demand accelerates.

We believe that we are well positioned to compete for the satellite telecommunications services business largely on a cost basis and our global e-commerce presence, which makes products more accessible to buy as compared to more traditional methods of purchasing e.g., bricks and mortar storefronts.

### *Our competitive strengths*

We believe that the following strengths contribute to our success:

- Our global presence enables us to compete in various markets around the world, with our multi-lingual personnel allowing us to respond to global customer inquiries with 24/7/365 customer support.
- Our significant expertise in global e-commerce sales allows us to maintain a competitive advantage over traditional methods of purchase through “brick and mortar” stores.
- Our significant levels of inventory stored in fulfillment centers around the world enable us to quickly secure customer orders against competitors who may not hold available inventory.
- Economies of scale of a leading provider of MSS product allows us to offer competitive prices for our products.
- Long-term contracts and experience with Globalstar allow us to compete competitively on satellite tracking opportunities.
- A diverse customer base with no single customer representing more than 3.0% of our annual gross sales revenue, and no single country representing more than 33% of our gross annual sales revenue as of December 31, 2022. This diversification reasonably permits the Company not to rely on any single customer, or group of customers, on any single product line, or any specific geographic area. Our Amazon sales represent the majority of our sales effort in the last 24 months.

### *Our business strategy*

We intend to achieve our mission and further grow our business by pursuing the following strategies:

- *Increased product offerings* - we are constantly increasing our product lines and offerings and will continue to do so in the future.
- *Marketplace expansion* – We intend to open new global e-commerce storefronts around the world to develop sales in new markets.



- *Government sourced revenue* - We intend to target US government/GSA sales which have not historically represented a significant part of our sales revenue. We will also recruit experienced government sales professionals to assist with this plan. We plan to become an approved seller on the US Government's GSA Schedule, which gives federal, and in some cases state and local buyers, access to a great number of commercial products and services at negotiated ceiling prices. Schedule purchases represent approximately 21% of overall federal procurement spending.
- *Product innovation* - We will continue to launch our own innovative branded products, such as our SolarTrack solar powered satellite tracking device, to differentiate us and gain a competitive edge over other MSS suppliers.
- *Future acquisitions* - We will seek suitable acquisition opportunities to further increase our scale, expand sales and access new markets and sectors.
- *E-Commerce Platforms* - Expanding beyond our current global network of online storefronts serving thousands of consumers, enterprises, and governments, we intend to develop a next generation platform for digital assets built for Web3. Our new platform, which is currently in the design and development phase in collaboration with consultants and contracted developers, will enable the use of a range of digital assets, including NFTs, in e-commerce and in community-building activities.

### **Intellectual Property**

Our success and ability to compete depends in part on our ability to maintain our trade secrets. All of our employees and consultants are subject to non-disclosure agreements and other contractual provisions to establish and maintain our proprietary rights.

### **Regulatory Matters**

Government contract laws and regulations affect how we will do business with our customers, and in some instances, will impose added costs on our business. A violation of specific laws and regulations could result in the imposition of fines and penalties, and the termination of any contracts, or the inability to bid on future contracts. We intend our Orbital Satcom subsidiary to become qualified as a government contractor. Our products may also be subject to regulation by the National Telecommunications and Information Administration and the Federal Communications Commission that regulate wireless communications.

### **Employees**

As of December 31, 2022, we had 18 full-time employees and 1 part-time employee.

### **Sources and Availability of Components**

Certain materials and equipment for our products are custom-made for those products and are dependent upon either a single or limited number of suppliers. A supplier failure could cause delays in product delivery if another supplier cannot be found promptly, or if the quality of such replacement supplier's components is inferior or unacceptable. As a result of COVID-19 and related supply chain constraints, we have experienced shortages in inventory due to manufacturing and logistical issues.

### **Our Risks and History of Losses**

Our ability to achieve our mission and execute our strategies is subject to certain challenges, risks and uncertainties, including, among others:

- Our ability to obtain sufficient funding to expand our business and respond to business opportunities
- Our ability to acquire new customers or retain existing customers in a cost-effective manner
- Our ability to successfully improve our production efficiencies and economies of scale
- Our ability to manage our supply chain to continue to satisfy our future operation needs
- Our ability to retain our market share in our industry

We have incurred significant net losses since our inception. For the years ended December 31, 2022, 2021, and 2020, we have incurred net losses of \$9.2 million, \$8.1 million, and \$2.8 million, respectively. As of December 31, 2022, we had an accumulated deficit of approximately \$31.1 million. We expect to incur additional losses prior to recording sufficient revenue from our operations as a result of the costs associated with expanding and seeking additional sources of revenue to our current revenue base.

## Item 1A. Risk Factors

*An investment in our securities involves a high degree of risk. You should consider carefully all of the risks described below, together with the other information contained in this Annual Report on Form 10-K, before making a decision to invest in our securities. The risk factors in this section describe the material risks to our business, prospects, results of operations, financial condition or cash flows, and should be considered carefully. In addition, these factors constitute our cautionary statements under the Private Securities Litigation Reform Act of 1995 and could cause our actual results to differ materially from those projected in any forward-looking statements (as defined in such act) made in this Annual Report on Form 10-K. Investors should not place undue reliance on any such forward-looking statements. Any statements that are not historical facts and that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimated,” “intends,” “plans,” “believes” and “projects”) may be forward-looking and may involve estimates and uncertainties which could cause actual results to differ materially from those expressed in the forward-looking statements.*

*Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time, and it is not possible for us to predict all of such factors. Further, we cannot assess the impact of each such factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.*

### Summary of Risk Factors

#### **Risks Related to Our Business**

- We have a history of net losses, and we are uncertain about our future profitability.
- Supply chain and shipping disruptions have resulted in shipping delays, a significant increase in shipping costs, and could increase product costs and result in lost sales, which may have a material adverse effect on our business, operating results and financial condition.
- Our dependence on key suppliers puts us at risk of interruptions in the availability of our products, which could reduce our revenue and adversely affect the results of operations.
- Our business, financial condition and results of operations may be materially and adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions.
- We may need to raise additional capital to grow our business and satisfy our anticipated future liquidity needs, and we may not be able to raise it on terms acceptable to us, or at all.
- Sustained investment in our business, strategic acquisitions and investments, as well as our focus on long-term performance, and on maintaining the health of our new e-commerce ecosystem, may negatively affect our margins and our net income, if any.
- The concentration of ownership by our principal stockholders may result in control by such stockholders of the composition of our board of directors.

- We will become subject to a broad range of laws and regulations, and future laws and regulations may impose additional requirements and other obligations that could materially and adversely affect our business, financial condition and results of operations, as well as the trading prices of our securities.
- If we are successful in implementing our business strategy we will generate and process a large amount of data, including personal data, and the improper use or disclosure of data could result in regulatory investigations and penalties, and harm our reputation and have a material adverse effect on the trading prices of our securities, our business and our prospects.
- Our sales may be impacted should there be a disruption of service to our Amazon or Alibaba online storefronts.
- Creating and maintaining a trusted status of our online marketing presence or ecosystem will be critical to our viability and growth.
- Any termination or material change in our relationship with Amazon or Alibaba could have a material adverse effect on our business, financial condition, results of operations and prospects.
- We may not be able to maintain and improve our online marketing.
- We face challenges in expanding our international and cross-border businesses and operations.
- We are heavily reliant on the services of certain executive officers and the departure or loss of any of these officers could disrupt our business.
- A significant portion of our revenues are from sales of products on Amazon and any limitation or restriction, temporarily or otherwise, to sell on Amazon's platform could have a material adverse impact to our business, results of operations, financial condition and prospects.
- If logistics service providers used by our merchants fail to provide reliable logistics services, our business and prospects, as well as our financial condition and results of operations, may be materially and adversely affected.
- Our e-commerce platforms could be disrupted by network interruptions.
- Security breaches and attacks against our systems and network, and any potentially resulting breach or failure to otherwise protect personal, confidential and proprietary information, could damage our reputation and negatively impact our business, as well as materially and adversely affect our financial condition and results of operations.
- Non-compliance with, or changes in, the legal and regulatory environment in the countries in which we operate could increase our costs or reduce our net operating revenues.
- Tightening of tax compliance efforts that affect our merchants could materially and adversely affect our business, financial condition and results of operations.

***Risks Related to Digital Assets***

- We may lose our private keys to our digital wallets, causing a loss of all of our digital assets.
- The storage and custody of our digital assets that we may potentially acquire or hold in the future are subject to cybersecurity breaches and adverse software events.

- Our digital assets may be subject to loss, theft, hacking, fraud risks and restriction on access.
- Incorrect or fraudulent digital asset transactions may be irreversible.
- Acceptance and widespread use of digital assets is uncertain.
- 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.
- The development and acceptance of cryptographic and algorithmic protocols governing the issuance of and transactions in digital assets is subject to a variety of factors that are difficult to evaluate.
- Banks and financial institutions may not provide banking services, or may cut off services, to businesses that distribute digital assets, provide digital asset-related services or that accept digital assets as payment.
- 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.
- We are subject to payments-related regulations and risks.
- 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.
- 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.
- 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.
- 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.

***Risks Related to Doing Business in China***

- Changes in China’s economic, political or social conditions or government policies could have a material adverse effect on our business, financial conditions and results of operations.
- Uncertainties with respect to China’s PRC legal system could adversely affect us.
- Recent litigation and negative publicity surrounding China-based companies listed in the United States may negatively impact the trading price of our securities.
- Fluctuations in exchange rates could have a material and adverse effect on the results of operations and the value of your investment.
- Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.

## Risks Related to Our Business

### ***We have a history of net losses, and we are uncertain about our future profitability.***

We have incurred significant net losses since our inception. For the years ended December 31, 2022, 2021, and 2020, we have incurred net losses of approximately \$9.2 million, \$8.1 million, and \$2.8 million, respectively. As of December 31, 2022, we had an accumulated deficit of approximately \$31.1 million. If our revenue grows more slowly than currently anticipated, or if operating expenses are higher than expected, we may be unable to consistently achieve profitability, our financial condition will suffer, and the value of our common stock could decline. Even if we are successful in increasing our sales, we may incur losses in the foreseeable future as we continue to develop and market our products. If sales revenue from any of our current products or any additional products that we develop in the future is insufficient, or if our product development is delayed, we may be unable to achieve profitability and, in the event we are unable to secure financing for prolonged periods of time, we may need to temporarily cease operations and, possibly, shut them down altogether. Furthermore, even if we can achieve profitability, we may be unable to sustain or increase such profitability on a quarterly or annual basis, which would adversely impact our financial condition and significantly reduce the value of our common stock.

### ***The continuing effects of the COVID-19 pandemic and its impact are highly unpredictable and could be significant, and could harm our business, financial condition, and operating results.***

Our business, operations and financial performance have been, and may continue to be, affected by the macroeconomic impacts resulting from COVID-19, and as a result, our revenue growth rate and expenses as a percentage of our revenues in future periods may differ significantly from our historical rates, and our future operating results may fall below expectations. The extent to which our business will continue to be affected will depend on a variety of factors, many of which are outside of our control, including the persistence of the pandemic, impacts on economic activity, and the possibility of recession or continued financial market instability.

### ***Events outside of our control, including those relating to public health crises, supply-chain disruptions, geopolitical conflicts, including acts of war, and inflation, could negatively affect our Company and our results of operations and financial condition.***

Periods of market volatility have occurred and could continue to occur in response to pandemics or other events outside of our control. These types of events may adversely affect operating results for us. For example, the COVID-19 pandemic has led to, and for an unknown period of time will continue to lead to, disruptions in local, regional, national and global markets and economies affected thereby, including the United States. With respect to U.S. and global credit markets and the economy in general, this outbreak has resulted in, and until fully resolved is likely to continue to result in, the following (among other things): (i) restrictions on travel and the temporary closure of many corporate offices, retail stores, and manufacturing facilities and factories, resulting in significant disruption to the business of many companies, including supply chains and demand, as well as layoffs of employees; (ii) increased draws by borrowers on lines of credit; (iii) increased requests by borrowers for amendments or waivers of their credit agreements to avoid default, increased defaults by borrowers and/or increased difficulty in obtaining refinancing; (iv) volatility in credit markets, including greater volatility in pricing and spreads; and (v) evolving proposals and actions by state and federal governments to address the problems being experienced by markets, businesses and the economy in general, which may not adequately address the problems being facing such persons. While many countries, including the United States, have relaxed or eliminated the early public health restrictions adopted in response to the COVID-19 pandemic, the outbreak of new, worsening strains of COVID-19 may result in a resurgence in the number of reported cases and hospitalizations. Such increases in cases could lead to the reintroduction of restrictions and business shutdowns in certain states, counties and cities in the United States and globally. In addition to these developments having adverse consequences for us and our portfolio companies, the operations of the Company have been, and could continue to be, adversely impacted, including through quarantine measures and travel restrictions imposed on its personnel or service providers based or temporarily located in affected countries, or any related health issues of such personnel or service providers.

As the future impact of COVID-19 and its variants is difficult to predict, the extent to which they could negatively affect our operating results or the duration of any potential business or supply-chain disruption is uncertain. Any potential impact to our results of operations will depend to a large extent on future developments and new information that could emerge regarding the duration and severity of the COVID-19 pandemic and the actions taken by authorities and other entities to contain the spread of COVID-19 and its variants or treat its impact, all of which are beyond our control. These potential impacts, while uncertain, could adversely affect our operating results and financial condition.

This pandemic has also caused, and may continue to cause, disruption to our global supply chain and business operations. In particular, shortages in commodities and materials, including shortages and reductions in allocations of electronic and other components from key suppliers, labor shortages and elevated levels of employee absenteeism, freight delays and other supply chain constraints and disruptions have significantly delayed or disrupted, and may continue to adversely impact, both our suppliers and third party vendors and our ability to deliver products and/or services to our end-users and customers. We have also experienced a significant increase in parts and material component inflation from pre-pandemic levels, as well as inflation in other costs, such as labor, packaging, freight, and energy prices. Continued supply chain disruptions and delays, as well as continued heightened inflation, could lead to continued periodic delivery interruptions and other inefficiencies that could negatively impact our productivity, margin performance and results of operations, which could result in a material adverse effect on our financial condition, results of operations and cash flows.

***We are currently operating in a period of capital markets disruption and economic uncertainty.***

The U.S. capital markets are currently experiencing extreme volatility and disruption following the global outbreak of COVID-19 and other global events described above. Disruptions in the capital markets in the past have resulted in illiquidity in parts of the capital markets. Future market disruptions and/or illiquidity would be expected to have an adverse effect on our business, financial condition, results of operations and cash flows. Unfavorable economic conditions also would be expected to increase our funding costs, limit our access to the capital markets or result in a decision by lenders, including existing lenders, not to extend credit to us. These events have limited and could continue to limit our investment considerations, limit our ability to grow and have a material negative impact on our operating results.

***Supply chain and shipping disruptions have resulted in shipping delays, a significant increase in shipping costs, and could increase product costs and result in lost sales, which may have a material adverse effect on our business, operating results and financial condition.***

Supply chain disruptions, resulting from factors such as the COVID-19 pandemic, labor supply and shipping container shortages, have impacted, and may continue to impact, us and our third-party manufacturers and suppliers. These disruptions have impacted our ability to receive products from manufacturers and suppliers, to distribute our products to our customers in a cost-effective and timely manner and to meet customer demand, all of which could have an adverse effect on our financial condition and results of operations.

While we have taken steps to minimize the impact of these disruptions, there can be no assurances that further unforeseen events impacting the supply chain will not have a material adverse effect on us in the future. Additionally, the impact that supply chain disruptions have on our manufacturers and suppliers is not within our control. It is not currently possible to predict how long it will take for these supply chain disruptions to cease or ease. Prolonged supply chain disruptions impacting us, and our manufacturers and suppliers could interrupt product manufacturing, increase raw material and product lead times, increase raw material and product costs, impact our ability to meet customer demand and result in lost sales, all of which could have a material adverse effect on our business, financial condition and results of operations.

***Our dependence on key suppliers puts us at risk of interruptions in the availability of our products, which could reduce our revenue and adversely affect the results of operations. In addition, increases in prices for components used in our products could adversely affect our results of operations.***

We require the timely delivery of products provided by our suppliers, some of which are custom made, to ensure our ongoing sales revenue is not adversely affected. For reasons of quality assurance, cost effectiveness or availability, we procure certain products from a single or limited number of suppliers. We generally acquire such products through purchase orders placed in the ordinary course of business, and as a result we may not have a significant inventory of these products and generally do not have any guaranteed or contractual supply arrangements with many of these suppliers. Our reliance on these suppliers subjects us to risks that could harm our business, including, but not limited to, difficulty locating and qualifying alternative suppliers and limited control over pricing, availability, quality and delivery schedules. Suppliers of products may decide, or be required, for reasons beyond our control, to cease supplying materials and components to us or to raise their prices. Shortages of materials, quality control problems, production capacity constraints or delays by our suppliers could negatively affect our ability to meet our production requirements and result in increased prices for affected products. We may also face delays, yield issues and quality control problems if we are required to locate and secure new sources of supply. Any material shortage, constraint or delay may result in delays in shipments of our products, which could materially adversely affect the results of operations. Increases in prices for materials and components used in our products could also materially adversely affect our results of operations.

***We are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine. Our business, financial condition and results of operations may be materially and adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions.***

U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the start of the military conflict between Russia and Ukraine. On February 24, 2022, a full-scale military invasion of Ukraine by Russian troops was reported. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions. We are continuing to monitor the situation in Ukraine and globally and assessing its potential impact on our business. In addition, Russian military actions and the resulting sanctions could adversely affect the global economy and financial markets and lead to instability and lack of liquidity in capital markets, potentially making it more difficult for us to obtain additional funds.

Any of the above-mentioned factors could affect our business, prospects, financial condition, and operating results. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but could be substantial. Any such disruptions may also magnify the impact of other risks described in this Annual Report on Form 10-K.

***The United Kingdom's departure from the EU could adversely affect us.***

We sell our products and services in the United Kingdom (the "UK") and throughout Europe. In particular, the UK is one of our largest markets in Europe for product and airtime sales. On June 23, 2016, the UK voted in an advisory referendum for the UK to leave the European Union (the "EU") and, subsequently, on March 29, 2017, the UK government began the formal process of leaving the EU ("Brexit"). The UK withdrew from the EU on January 31, 2020. Effective January 1, 2021, the EU and UK entered into the Trade and Cooperation Agreement regarding trade policies and other political and strategic issues. The future consequences of Brexit are unknown at this time, but Brexit has created additional administrative burdens and legal, regulatory, and currency risk that may have a materially adverse impact on our business. Furthermore, this uncertainty could negatively impact the economies of other countries in which we operate.

***Currency exchange rate fluctuations may affect the results of operations.***

To the extent that we are successful in broadening the reach of our online e-commerce marketing into other countries we will have transactions denominated in an increasing number and variety of currencies. We will be subject to currency exchange rate risk to the extent that our costs are denominated in currencies other than those in which we earn revenues. Fluctuations in currency exchange rates may therefore have an impact on our results as expressed in U.S. dollars. There can be no assurance that currency exchange rate fluctuations will not adversely affect the results of operations, financial condition and cash flows. While the use of currency hedging instruments may provide us with protection from adverse fluctuations in currency exchange rates, by utilizing these instruments we potentially forego the benefits that might result from favorable fluctuations in currency exchange rates.

***We may need to raise additional capital to grow our business and satisfy our anticipated future liquidity needs, and we may not be able to raise it on terms acceptable to us, or at all.***

Growing and operating our business will require significant cash outlays, liquidity reserves and capital expenditures and commitments to respond to business challenges, including developing or enhancing new or existing products. As of December 31, 2022, we had cash on hand of approximately \$18.9 million. If cash on hand, cash generated from operations, and the net proceeds from prior offerings are not sufficient to meet our cash and liquidity needs, we may need to seek additional capital, potentially through debt or equity financing. To the extent that we raise additional capital through the sale of additional equity or convertible securities, your ownership interest may be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a stockholder. Debt financing, if available, would result in increased fixed payment obligations and a portion of our operating cash flows, if any, being dedicated to the payment of principal and interest on such indebtedness. In addition, debt financing may involve agreements that include restrictive covenants that impose operating restrictions, such as restrictions on the incurrence of additional debt, the making of certain capital expenditures or the declaration of dividends. Any additional fundraising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our products. Even if we believe we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or considering specific strategic considerations. If we are unable to obtain funding on a timely basis, we may be required to significantly curtail, delay or discontinue one or more of our research or product candidate development programs or the commercialization of any product candidate or be unable to expand our operations or otherwise capitalize on our business opportunities, as desired, which could materially affect our business, operating results and prospects and cause the price of the common stock to decline.

***Sustained investment in our business, strategic acquisitions and investments, as well as our focus on long-term performance, and on maintaining the health of our new e-commerce ecosystem, may negatively affect our margins and our net income, if any.***

We will continue to increase our spending and investments in our business, including in organic development and growth of new businesses, strategic acquisitions and other initiatives. Investments in our business include:

- expanding and enhancing our core e-commerce offerings, including our marketplaces and new formats and features, our logistics network and capacities, our merchandising and supply chain capabilities, consumer services business, and international businesses;
- supporting our merchants, acquiring and retaining users and enhancing consumer experience and user engagement;
- strengthening and expanding various facilities and increasing our employee headcount;
- researching and developing new technologies, including digital assets, and improving our technological infrastructure; and cloud computing capacity;
- incubating new business initiatives.

Although we believe these investments are crucial to our viability and future growth, they will have the effect of increasing our costs and lowering our margins and profit, and this effect may be significant in the short term and potentially over longer periods.

We intend to make strategic investments, acquisitions and joint ventures to further strengthen our business. We may make strategic investments, acquisitions and joint ventures in a range of areas either directly related to one or more of our businesses, or related to the infrastructure, technology, services or products that support our businesses and marketing platforms. Our strategic investments, acquisitions and joint ventures may adversely affect our financial results, at least in the short term. As a result of business or financial underperformance, regulatory scrutiny or compliance reasons, we may need to divest interests in, or terminate business cooperation with, businesses and entities in which we have invested capital and other resources, which may adversely affect our financial results, ability to conduct investments in similar businesses, reputation and growth prospects, as well as the trading prices of our securities. There can be no assurance that we will be able to grow our acquired or invested businesses, or realize returns, benefits of synergies and growth opportunities we expect in connection with these investments and acquisitions.



***Failure to maintain or improve our technological infrastructure could harm our business and prospects.***

We are in the process of upgrading our platforms to provide increased scale, improved performance, additional capacity and additional built-in functionality, including functionality related to security. Adopting new products and maintaining and upgrading our technology infrastructure require significant investments of time and resources. Any failure to maintain and improve our technology infrastructure could result in unanticipated system disruptions, slower response times, impaired user experience and delays in reporting accurate operating and financial information. If we experience problems with the functionality and effectiveness of our software, interfaces or platforms, or are unable to maintain and continuously improve our technology infrastructure to handle our business needs, our business, financial condition, results of operations and prospects, as well as our reputation and brand, could be materially and adversely affected.

In addition, our technology infrastructure and services incorporate third-party developed software, systems and technologies, as well as hardware purchased or commissioned from third-party and overseas suppliers. As our technology infrastructure and services expand and become increasingly complex, we face increasingly serious risks to the performance and security of our technology infrastructure and services that may be caused by these third-party developed components, including risks relating to incompatibilities with these components, service failures or delays or difficulties in integrating back-end procedures on hardware and software. We also need to continuously enhance our existing technology. Otherwise, we face the risk of our technology infrastructure becoming unstable and susceptible to security breaches. This instability or susceptibility could create serious challenges to the security and uninterrupted operation of our platforms and services, which would materially and adversely affect our business and reputation.

***Product development is a long, expensive and uncertain process.***

The development of our own branded range of satellite tracking devices is a costly, complex and time-consuming process, and the investment in product development often involves a long wait until a return, if any, is achieved on such investment. Investments in new technology and processes are inherently speculative. We have experienced numerous setbacks and delays in our research and development efforts and may encounter further obstacles in the course of the development of additional technologies and products. We may not be able to overcome these obstacles or may have to expend significant additional funds and time. Technical obstacles and challenges we encounter in our research and development process may result in delays in or abandonment of product commercialization, may substantially increase the costs of development, and may negatively affect our results of operations.

***Concentration of ownership by our principal stockholders may result in control by such stockholders of the composition of our board of directors.***

As of March 30, 2023, our existing principal stockholders, executive officers, directors and their affiliates beneficially own approximately 57.7% of our outstanding shares of common stock, and our Executive Chairman and Chief Executive Officer, Charles M. Fernandez will receive upon vesting, 400,000 shares of our common stock, which vests in two equal installments over the next two years starting on June 2, 2023. In addition, such parties may acquire additional control by purchasing stock that we may issue in connection with our future fundraising efforts. As a result, these stockholders may now and in the future be able to exercise a significant level of control over all matters requiring stockholder approval, including the election of directors. This control could have the effect of delaying or preventing a change of control of our company or changes in management and will make the approval of certain transactions difficult or impossible without the support of these stockholders.

***Successful technical development of our products does not guarantee successful commercialization.***

We may successfully complete the technical development for one or all our product development programs, but still fail to develop a commercially successful product for several reasons, including among others the following:

- failure to obtain the required regulatory approvals for their use;
- prohibitive production costs;
- competing products;
- lack of innovation of the product;
- ineffective distribution and marketing;
- failure to gain market acceptance;
- lack of sufficient cooperation from our partners; and
- demonstrations of the products not aligning with or meeting customer needs.

Our success in the market for the products we develop will depend largely on our ability to prove our products' capabilities. Upon demonstration, our satellite ground stations, and tracking devices may not have the capabilities they were designed to have or that we believed they would have. Furthermore, even if we do successfully demonstrate our products' capabilities, potential customers may be more comfortable doing business with a larger, more established, more proven company than us. Moreover, competing products may prevent us from gaining wide market acceptance of our products. Significant revenue from new product investments may not be achieved for a number of years, if at all.

***Public company compliance may make it more difficult to attract and retain officers and directors.***

The Sarbanes-Oxley Act and rules subsequently implemented by the SEC have required changes in corporate governance practices of public companies. As a public company, we expect these rules and regulations to increase our compliance costs in 2023 and beyond and to make certain activities more time consuming and costly. As a public company, we also expect that these rules and regulations may make it more difficult and expensive for us to obtain director and officer liability insurance in the future and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified people to serve on our Board of Directors or as executive officers.

***Other companies may claim that we infringe their intellectual property, which could materially increase our costs and harm our ability to generate future revenue and profit.***

We do not believe that we infringe the proprietary rights of any third party but claims of infringement are becoming increasingly common and third parties may assert infringement claims against us. It may be difficult or impossible to identify, prior to receipt of notice from a third party, the trade secrets, patent position or other intellectual property rights of a third party, either in the United States or in foreign jurisdictions. Any such assertion may result in litigation or may require us to obtain a license for the intellectual property rights of third parties. If we are required to obtain licenses to use any third-party technology, we would have to pay royalties, which may significantly reduce any profit on our products or may be prohibitively expensive and prevent us from continuing to use that technology. In addition, any such litigation, even if without merit, could be expensive and disruptive to our ability to generate revenue or enter new market opportunities. If any of our products were found to infringe other parties' proprietary rights and we are unable to come to terms regarding a license with such parties, we may be forced to modify our products to make them non-infringing, to pay substantial damages to our end users to discontinue their use of or replace infringing technology sold to them with non-infringing technology, or to cease production of such products altogether.

***We may not be able to protect our intellectual property rights.***

We rely on a combination of trademark, fair trade practice, patent, copyright and trade secret protection laws, as well as confidentiality procedures and contractual provisions, to protect our intellectual property rights. We may not be able to effectively protect our intellectual property rights or to enforce our contractual rights. In addition, policing any unauthorized use of our intellectual property is difficult, time-consuming and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property. If we resort to litigation to enforce our intellectual property rights, this litigation could result in substantial costs and a diversion of our managerial and financial resources.

There can be no assurance that we will prevail in any litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

***Confidentiality agreements with employees and third parties may not prevent unauthorized disclosure of trade secrets and other proprietary information, and our inability to maintain the confidentiality of that information, due to unauthorized disclosure or use, or other event, could have a material adverse effect on our business.***

In addition to the protection afforded by patents, we seek to rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable or that we elect not to patent, processes for which patents are difficult to enforce, and any other elements of our product discovery and development processes that involve proprietary know-how, information, or technology that is not covered by patents. Trade secrets, however, may be difficult to protect. We seek to protect our proprietary processes, in part, by entering into confidentiality agreements with our employees, consultants, advisors, contractors and collaborators. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, advisors, contractors, and collaborators might intentionally or inadvertently disclose our trade secret information to competitors. In addition, competitors may otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. Furthermore, the laws of some foreign countries do not protect proprietary rights to the same extent or in the same manner as the laws of the United States. As a result, we may encounter significant problems in protecting and defending our intellectual property both in the United States and abroad. If we are unable to prevent unauthorized material disclosure of our intellectual property to third parties, or misappropriation of our intellectual property by third parties, we will not be able to establish or maintain a competitive advantage in our market, which could materially adversely affect our business, operating results and financial condition.

***Being a public company is expensive and administratively burdensome.***

As a public reporting company, we are subject to the information and reporting requirements of the Securities Act of 1933, as amended (the “Securities Act”), the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and other federal securities laws, rules and regulations related thereto, including compliance with the Sarbanes-Oxley Act. Complying with these laws and regulations requires the time and attention of our Board of Directors and management and increases our expenses. We estimate the Company will incur approximately \$200,000 to \$300,000 annually in connection with being a public company.

Among other things, we are required to:

- maintain and evaluate a system of internal controls over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board;
- prepare and distribute periodic reports in compliance with our obligations under federal securities laws;
- institute a more comprehensive compliance function, including with respect to corporate governance; and
- involve, to a greater degree, our outside legal counsel and accountants in the above activities.

The costs of preparing and filing annual and quarterly reports, proxy statements and other information with the SEC and furnishing audited reports to stockholders are expensive and much greater than that of a privately-held company, and compliance with these rules and regulations may require us to hire additional financial reporting, internal controls and other finance personnel, and will involve a material increase in regulatory, legal and accounting expenses and the attention of management. There can be no assurance that we will be able to comply with the applicable regulations in a timely manner, if at all. In addition, being a public company makes it more expensive for us to obtain director and officer liability insurance. In the future, we may be required to accept reduced coverage or incur substantially higher costs to obtain this coverage.

***We will become subject to a broad range of laws and regulations, and future laws and regulations may impose additional requirements and other obligations that could materially and adversely affect our business, financial condition and results of operations, as well as the trading prices of our securities.***

The industries in which we plan to operate, including online and mobile commerce, digital media, digital assets, and entertainment and other online content offerings, as well as certain important business processes, including those that may be deemed as relating to payment and settlement of funds, are highly regulated. Government authorities across the globe are likely to continue to issue new laws, rules and regulations and enhance enforcement of existing laws, rules and regulations in these industries. They have imposed, and may continue to impose, requirements or restrictions relating to, among other things, the provision of certain regulated products or services through platforms, new and additional licenses, permits and approvals, renewals and amendments of licenses, or governance or ownership structures, on us or certain of our businesses and our users. Failure to obtain and maintain such required licenses or approvals may materially and adversely affect our business.

***If we are successful in implementing our business strategy we will generate and process a large amount of data, including personal data, and the improper use or disclosure of data could result in regulatory investigations and penalties, and harm our reputation and have a material adverse effect on the trading prices of our securities, our business and our prospects.***

If we are successful in implementing our business strategy, we will generate and process a large amount of data. Our privacy policies concerning the collection, use and disclosure of personal data are posted on our platforms. We face risks inherent in handling and protecting large volumes of data, especially consumer data. We face several challenges relating to data from transactions and other activities on our platforms, including:

- protecting the data in and hosted on our system, including against attacks on our system or unauthorized use by outside parties or fraudulent behavior or improper use by our employees;
- addressing concerns, challenges, negative publicity and litigation related to data privacy, collection, use and actual or perceived sharing for promotional and other purposes (including sharing among our own businesses, with business partners or regulators, and concerns among the public about the alleged discriminatory treatment adopted by Internet platforms based on user profile), safety, security and other factors that may arise from our existing businesses or new businesses and technologies, such as new forms of data (for example, biometric data, location information and other demographic information); and
- complying with applicable laws, rules and regulations relating to the collection (from users and other third-party systems or sources), use, storage, transfer, disclosure and security of personal data, including requests from data subjects and regulatory and government authorities.

***Our business is subject to complex and evolving domestic and international laws and regulations regarding privacy and data protection. These laws and regulations can be complex and stringent, and many are subject to change and uncertain interpretation, which could result in claims, changes to our data and other business practices, regulatory investigations, penalties, increased cost of operations, or declines in user growth or engagement, or otherwise affect our business.***

Regulatory authorities around the world have implemented and are considering further legislative and regulatory proposals concerning data protection. New laws and regulations that govern new areas of data protection or impose more stringent requirements may be introduced in jurisdictions where we may conduct business or may expand into. It is possible that existing or newly- introduced laws and regulations, or their interpretation, application or enforcement, could significantly affect the value of our data, force us to change our data and other business practices and cause us to incur significant compliance costs.

As we further expand our operations into international markets, we will be subject to additional laws in other jurisdictions where we operate and where our consumers, users, merchants, customers and other participants are located. The laws, rules and regulations of other jurisdictions may be more comprehensive, detailed and nuanced in their scope, and may impose requirements and penalties that conflict with, or are more stringent than, those to which we are currently subject. In addition, these laws, rules and regulations may restrict the transfer of data across jurisdictions, which could impose additional and substantial operational, administrative and compliance burdens on us, and may also restrict our business activities and expansion plans, as well as impede our data-driven business strategies. Complying with laws and regulations for an increasing number of jurisdictions could require significant resources and costs.

***The nature of our business involves significant risks and uncertainties that may not be covered by insurance or indemnity.***

We develop and sell products where insurance or indemnification may not be available, including:

- Designing and developing products using advanced and unproven technologies in intelligence and homeland security applications that are intended to operate in high demand, high risk situations; and
- Designing and developing products to collect, distribute and analyze various types of information.

Failure of certain of our products could result in loss of life or property damage. Certain products may raise questions with respect to issues of privacy rights, civil liberties, intellectual property, trespass, conversion and similar concepts, which may raise new legal issues. Indemnification to cover potential claims or liabilities resulting from a failure of technologies developed or deployed may be available in certain circumstances but not in others. We are not able to maintain insurance to protect against all operational risks and uncertainties. Substantial claims resulting from an accident, failure of our product, or liability arising from our products in excess of any indemnity or insurance coverage (or for which indemnity or insurance is not available or was not obtained) could harm our financial condition, cash flows, and operating results. Any accident, even if fully covered or insured, could negatively affect our reputation among our customers and the public, and make it more difficult for us to compete effectively.

***For the year ended December 31, 2022, approximately 54.3% of our revenues are from sales of products on Amazon and any limitation or restriction, temporarily or otherwise, to sell on Amazon's platform could have a material adverse impact to our business, results of operations, financial condition, and prospects.***

Approximately 54.3% of our products are sold on Amazon and are subject to Amazon's terms of service and various other Amazon seller policies that apply to third parties selling products on Amazon's marketplace. Amazon's terms of service provide, among other things, that it may terminate or suspend its agreement with any seller or any of its services being provided to a seller at any time and for any reason. In addition, if Amazon determines that any seller's actions or performance, including ours, may result in violations of its terms or policies, or create other risks to Amazon or to third parties, then Amazon may in its sole discretion withhold any payments owed for as long as Amazon determines any related risk to Amazon or to third parties persist. Further, if Amazon determines that any seller's, including our, accounts have been used to engage in deceptive, fraudulent or illegal activity, or that such accounts have repeatedly violated its policies, then Amazon may in its sole discretion permanently withhold any payments owed. In addition, Amazon in its sole discretion may suspend a seller account and product listings if Amazon determines that a seller has engaged in conduct that violates any of its policies. Any limitation or restriction on our ability to sell on Amazon's platform could have a material impact on our business, results of operations, financial condition and prospects. We also rely on services provided by Amazon's fulfillment platform which provides expedited shipping to the consumer, an important aspect in the buying decision for consumers. Any inability to market our products for sale with delivery could have a material impact on our business, results of operations, financial condition and prospects. Failure to remain compliant with the fulfillment practices on Amazon's platform could have a material impact on our business, results of operations, financial condition and prospects.

***Our sales may be impacted should there be a disruption of service to our Amazon or Alibaba online storefronts.***

The Company's Amazon online marketplaces represented approximately 54.3% and 63.6% of total sales for the years ended December 31, 2022, and 2021, respectively. In July 2021 we commenced sales through the Alibaba storefront. These marketplaces will represent a significant portion of our sales in the foreseeable future. Should there be a disruption of Amazon or Alibaba services or our ability to maintain storefronts with Amazon or Alibaba, our sales will likely decrease, and we would have to seek other distribution methods to sell our products online, which may be costly. In addition, if and to the extent the cost structure of the Amazon marketplace listing changes, such an increase could have a material adverse effect on the Company's sales through this platform.

***Creating and maintaining a trusted status of our online marketing presence or ecosystem will be critical to our viability and growth, and any failure to do so could severely damage our reputation, which would have a material adverse effect on our business, financial condition, results of operations and prospects.***

Any loss of trust in our online presence could harm our reputation, and could result in consumers, merchants, brands, retailers, intellectual property holders and other participants reducing their levels of activity, which could materially reduce our revenue and profitability, if any. Our ability to maintain trust in our online capabilities will be based in large part upon:

- the quality, value and functionality of products and services offered;
- the reliability and integrity of our company and our e-commerce websites, as well as of the merchants,
- software developers, logistics providers, service providers, intellectual property holders and other participants in our ecosystem;
- our commitment to high levels of service;
- the safety, security and integrity of the data on our systems, and those of other participants on our e-commerce websites;
- the strength of our measures to protect consumers and intellectual property rights owners; and
- our ability to provide reliable and trusted payment and escrow services through our arrangements with third party service providers.

***Our current plans contemplate that we will expand our online marketing presence primarily via the Alibaba ecosystem. Any termination or material change in our relationship with Amazon or Alibaba could have a material adverse effect on our business, financial condition, results of operations and prospects.***

Any termination or material change in our relationship with Amazon or Alibaba could have a material adverse effect on our business, financial condition, results of operations and prospects. We expect that Alibaba will represent one of our primary online marketing channels. Any adverse development in our relationship with these online markets could result in an immediate and significant adverse impact in our online marketing presence, revenues, operating results and financial condition. It could also result in a loss of trust by consumers, merchants, brands, retailers, intellectual property holders and other participants reducing their levels of activity, which could further materially reduce our revenues and profitability, if any.

***We may not be able to maintain or grow our revenue or our business.***

Our revenue growth also depends on our ability to grow our core businesses, newly developed businesses, as well as businesses that we may acquire or which we may consolidate. We are exploring and will continue to explore in the future new business initiatives, including in industries and markets in which we have limited or no experience, as well as new business models, that may be untested, including digital assets. Developing new businesses, initiatives and models requires significant investments of time and resources, and may present new and difficult technological, operational and compliance challenges. Particularly in the e-commerce space, we face various challenges while facilitating the convergence of online and offline retail and digitalization of offline business operations. Many of these challenges may be specific to business areas with which we do not have sufficient experience. Also, as we grow our direct sales businesses, we face new and increased risks, such as risks relating to inventory procurement and management, including failure to stock sufficient inventory to meet demands or additional costs or write-offs resulting from overstocking, supply chain management, accounts receivable and related potential impairment charges, as well as new and heightened regulatory requirements and increased liabilities to which we are subject as operators of direct sales businesses, including those relating to consumer protection, customs and permits and licenses, and allegations of unfair business practices. Failure to adequately address these and other risks and challenges relating to our direct sales business may harm our relationship with customers and consumers, adversely affect our business and results of operations and subject us to regulatory scrutiny or liabilities. We may encounter difficulties or setbacks in the execution of various growth strategies, and those strategies may not generate the returns we expect within the timeframe we anticipate, or at all. In addition, our overall revenue growth may slow, or our revenues may decline for other reasons, including increasing customer acquisition costs, increasing competition, disruptions to the global economy from pandemics, natural disasters or other events, as well as changes in the geopolitical landscape, government policies or general economic conditions. As our revenue grows to a higher base level, our revenue growth rate may slow in the future.

***If we are unable to compete effectively, our business, financial condition and results of operations would be materially and adversely affected.***

We face intense competition from established Internet companies, as well as from global and regional e-commerce players. These areas of our business are subject to rapid market change, the introduction of new business models, and the entry of new and well-funded competitors. Increased investments made and lower prices offered by our competitors may require us to divert significant managerial, financial and human resources to remain competitive, and ultimately may reduce our market share and negatively impact the profitability of our business.

Our ability to compete depends on several factors, some of which may be beyond our control, including alliances, acquisitions or consolidations within our industries that may result in stronger competitors, technological advances, shifts in customer preferences and changes in the regulatory environment in the markets we operate. Existing and new competitors may leverage their established platforms or market positions, or introduce innovative business models or technologies, to launch highly engaging content, products or services that may attract a large user base and achieve rapid growth, which may make it more challenging for us to acquire new customers and materially and adversely affect our business expansion and results of operations.

If we are not able to compete effectively, the level of economic activity and user engagement in our ecosystem may decrease and our market share and profitability may be negatively affected, which could materially and adversely affect our business, financial condition and results of operations, as well as our reputation and brand.

***We may not be able to maintain and improve our online marketing, which could negatively affect our business and prospects.***

Our ability to maintain a healthy and vibrant ecosystem among consumers, merchants, brands, retailers, Intellectual Property holders and other participants is critical to our success. The extent to which we are able to create, maintain and strengthen these market channels depends on our ability to:

- offer secure and open e-commerce websites for all participants and balance the interests of these participants;
- provide a wide range of high-quality product offerings to consumers;
- attract and retain a wide range of consumers, merchants, brands and retailers;
- provide effective technologies, infrastructure and services that meet the evolving needs of consumers, merchants, brands, retailers and other ecosystem participants;
- arrange secure and trusted payment settlement services;
- address user concerns with respect to data security and privacy;
- improve our logistics data and coordinate fulfillment and delivery services with logistics service providers;
- attract and retain third-party service providers that are able to provide quality services on commercially reasonable terms to our merchants, brands, retailers and other ecosystem participants;
- maintain the quality of our customer service; and
- continue adapting to the changing demands of the market.

In addition, changes we make to our current operations to enhance and improve our online presence or to comply with regulatory requirements may be viewed positively from one participant group's perspective, such as consumers, but may have negative effects from another group's perspective, such as merchants. If we fail to balance the interests of all participants in our ecosystem, consumers, merchants, brands, retailers and other participants may spend less time, mind share and resources on our platforms and may conduct fewer transactions or use alternative platforms, any of which could result in a material decrease in our revenue and net income.

***If we are not able to continue to innovate or if we fail to adapt to changes in our various industries, our business, financial condition and results of operations would be materially and adversely affected.***

The e-commerce business is subject to rapidly changing technology, evolving industry standards, new mobile apps and protocols, new products and services, new media and entertainment content – including user-generated content – and changing user demands and trends. Furthermore, our domestic and international competitors are continuously developing innovations in personalized search and recommendation, online shopping and marketing, communications, social networking, entertainment, logistics and other services, to enhance user experience. The changes and developments taking place in our industry may also require us to re-evaluate our business model and adopt significant changes to our long-term strategies and business plans. Our failure to innovate and adapt to these changes and developments in a timely manner could have a material adverse effect on our business, financial condition and results of operations. Even if we timely innovate and adopt changes in our strategies and plans, we may nevertheless fail to realize the anticipated benefits of these changes or even generate lower levels of revenue as a result.

***Our failure to manage the significant management, operational and financial challenges involved in growing our business and operations could harm us.***

If we are successful in implementing our plans, our business will become increasingly complex as the scale, diversity and geographic coverage of our business and our workforce continue to expand through both organic growth and acquisitions. This expansion will place a significant strain on our management, operational and financial resources. The challenges involved in expanding our businesses require our employees to handle new and expanded responsibilities and duties. If our employees fail to adapt to the expansion or if we are unsuccessful in hiring, training, managing and integrating new employees or retraining and expanding the roles of our existing employees, our business, financial condition and results of operations may be materially harmed. Moreover, our current and planned staffing, systems, policies, procedures and controls may not be adequate to support our future operations. To effectively manage continuing expansion and growth of our operations and workforce, we will need to continue to improve our personnel management, transaction processing, operational and financial systems, policies, procedures and controls, which could be particularly challenging as we acquire new operations with different and incompatible systems in new industries or geographic areas. These efforts will require significant managerial, financial and human resources. There can be no assurance that we will be able to effectively manage our growth or to implement all these systems, policies, procedures and control measures successfully. If we are not able to manage our growth effectively, our business and prospects may be materially and adversely affected.

***We face risks relating to our acquisitions, investments and alliances.***

We expect to evaluate and consider a wide array of potential strategic transactions as part of our overall business strategy, including business combinations, acquisitions of businesses, technologies, services, products and other assets, as well as strategic investments, joint ventures, licenses and alliances. At any given time, we may be engaged in discussing or negotiating a range of these types of transactions. These transactions involve significant challenges and risks, including:

- difficulties in, and significant and unanticipated additional costs and expenses resulting from, integrating into our business the large number of personnel, operations, products, services, technology, internal controls and financial reporting of the businesses we acquire;
- disruption of our ongoing business, distraction of and significant time and attention required from our management and employees and increases in our expenses;
- departure of skilled professionals and proven management teams of acquired businesses, as well as the loss of established client relationships of those businesses we invest in or acquire;
- for investments over which we may not obtain management and operational control, we may lack influence over the controlling partners or shareholders, or may not have aligned interests with those of our partners or other shareholders;
- additional or conflicting regulatory requirements, heightened restrictions on and scrutiny of investments, acquisitions and foreign ownership in other jurisdictions, on national security grounds or for other reasons, regulatory requirements such as filings and approvals under the anti-monopoly and competition laws, rules and regulations, the risk that acquisitions or investments may fail to close, due to political and regulatory challenges or protectionist policies, as well as related compliance and publicity risks;
- actual or alleged misconduct, unscrupulous business practices or non-compliance by us or any company we acquire or invest in or by its affiliates or current or former employees, whether before, during or after our acquisition or investments;
- difficulties in identifying and selecting appropriate targets and strategic partners, including potential loss of opportunities for strategic transactions with competitors of our investee companies and strategic partners; and
- difficulties in conducting sufficient and effective due diligence on potential targets and unforeseen or hidden liabilities or additional incidences of non-compliance, operating losses, costs and expenses that may adversely affect us following our acquisitions or investments or other strategic transactions.



These and other risks could lead to negative publicity, increased regulatory scrutiny, litigation, government inquiries, investigations, actions or penalties against us and the companies we invest in or acquire on the ground of non-compliance with regulatory requirements, or even against our other businesses, and may force us to incur significant additional expenses and allocate significant management and human resources to rectify or improve these companies' corporate governance standards, disclosure controls and procedures or internal controls and systems. As a result, we may experience significant difficulties and uncertainties carrying out investments and acquisitions, and our growth strategy, reputation and/or the trading prices of our securities may be materially and adversely affected.

***We face challenges in expanding our international and cross-border businesses and operations.***

In addition to risks that generally apply to our acquisitions and investments, we face risks associated with expanding into an increasing number of markets where we have limited or no experience, we may be less well-known or have fewer local resources and we may need to localize our business practices, culture and operations. We also face protectionist or national security policies that could, among other things, hinder our ability to execute our business strategies and put us at a competitive disadvantage relative to domestic companies in other jurisdictions.

In addition, compliance with cross-border e-commerce tax laws that apply to our businesses will also affect a number of our businesses, increase our compliance costs and subject us to additional risks. Failure to manage these risks and challenges could negatively affect our ability to expand our international and cross-border businesses and operations as well as materially and adversely affect our business, financial condition and results of operations.

***Our business operations and financial position may be materially and adversely affected by any economic slowdown.***

Our revenue and net income are impacted to a significant extent by economic conditions globally, as well as economic conditions specific to our business. The global economy, markets and levels of spending by businesses and consumers are influenced by many factors beyond our control, including pandemics and other natural disasters.

***We are heavily reliant on Charles Fernandez, our Executive Chairman and Chief Executive Officer, and the departure or loss of Mr. Fernandez could disrupt our business.***

The Company depends heavily on the continued efforts of Charles Fernandez, our Executive Chairman and Chief Executive Officer. Mr. Fernandez's services are essential to the Company's strategic vision and would be difficult to replace. The departure or loss of Mr. Fernandez, or the inability to timely hire and retain a qualified replacement, could negatively impact the Company's ability to manage its business.

***We are heavily reliant on David Phipps, our President and Chief Executive Officer of Global Operations and a director, and the departure or loss of David Phipps could disrupt our business.***

The Company depends heavily on the continued efforts of David Phipps, our President and Chief Executive Officer of Global Operations and a director. Mr. Phipps is the founder of Global Telesat Communications LTD ("GTC") and is essential to the Company's day-to-day operations and would be difficult to replace. The departure or loss of Mr. Phipps, or the inability to timely hire and retain a qualified replacement, could negatively impact the Company's ability to manage its business.

***If we are unable to recruit and retain key management, technical and sales personnel, our business would be negatively affected.***

For our business to be successful, we need to attract and retain highly qualified technical, management and sales personnel. The failure to recruit additional key personnel when needed with specific qualifications and on acceptable terms or to retain good relationships with our partners might impede our ability to continue to develop, commercialize and sell our products. To the extent the demand for skilled personnel exceeds supply, we could experience higher labor, recruiting and training costs in order to attract and retain such employees. We face competition for qualified personnel from other companies with significantly more resources available to them and thus may not be able to attract the level of personnel needed for our business to succeed.

***We depend on key management as well as experienced and capable personnel generally, and any failure to attract, motivate and retain our staff could severely hinder our ability to maintain and grow our business.***

Our future success is significantly dependent upon the continued service of our key executives and other key employees, particularly in new business areas we are expanding into. If we lose the services of any member of management or key personnel, we may not be able to locate suitable or qualified replacements and may incur additional expenses to recruit and train new staff.

As our business develops and evolves, it may become difficult for us to continue to retain our employees. A number of our employees, including many members of management, may choose to pursue other opportunities outside of us. If we are unable to motivate or retain these employees, our business may be severely disrupted, and our prospects could suffer.

The size and scope of our ecosystem also requires us to hire and retain a wide range of capable and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. We will need to continue to attract and retain experienced and capable personnel at all levels, including members of management, as we expand our business and operations. Our various incentive initiatives may not be sufficient to retain our management and employees. Demand for talent in our industry is intense, and the availability of suitable and qualified candidates is limited. Competing demand for qualified personnel could cause us to offer higher compensation and other benefits to attract and retain them. Even if we were to offer higher compensation and other benefits, there can be no assurance that these individuals will choose to join or continue to work for us. Any failure to attract or retain key management and personnel could severely disrupt our business and growth.

***Failure to deal effectively with fraudulent or illegal activities by our employees, business partners or service providers would harm our business.***

Illegal, fraudulent, corrupt or collusive activities or misconduct, whether actual or perceived, by our employees could subject us to liability or negative publicity, which could severely damage our brand and reputation. We will implement internal controls and policies with regard to the review and approval of merchant accounts, interactions with business partners and government officials, account management, sales activities, data security and other relevant matters. However, there can be no assurance that our controls and policies will prevent fraud, corrupt or illegal activity or misconduct by our employees or that similar incidents will not occur in the future. As we expand our operations, in particular our businesses that provide services to governments and public institutions, we are subject to additional internal control and compliance requirements relating to corrupt and other illegal practices by our employees, and we may also be held liable for misconduct by our business partners and service providers. Failure to comply or ensure our employees, business partners and service providers to comply with these requirements, whether alleged or actual, could subject us to regulatory investigations and liabilities, which would materially and adversely affect our business operations, customer relationships, reputation and the trading price of our securities.

***If the logistics service providers used by our merchants fail to provide reliable logistics services, our business and prospects, as well as our financial condition and results of operations, may be materially and adversely affected.***

Interruptions to or failures in logistics services could prevent the timely or proper delivery of products to consumers, which would negatively impact on our competitive position as well as harm the reputation of our ecosystem and the businesses we operate. These interruptions or failures may be due to events that are beyond the control of any of these logistics service providers, such as inclement weather, natural disasters, the COVID-19 pandemic, other pandemics or epidemics, accidents, transportation disruptions, including special or temporary restrictions or closings of facilities or transportation networks due to regulatory or political reasons, or labor unrest or shortages. These logistics services could also be affected or interrupted by business disputes, industry consolidation, insolvency or government shutdowns. The merchants in our ecosystem may not be able to find alternative logistics service providers to provide logistics services in a timely and reliable manner, or at all. If the products sold by merchants in our ecosystem are not delivered in proper condition, on a timely basis or at shipping rates that are commercially acceptable to marketplace participants, our business and prospects, as well as our financial condition and results of operations could be materially and adversely affected.

***Failure to deal effectively with any fraud perpetrated and fictitious transactions conducted in our ecosystem, and other sources of customer dissatisfaction, would harm our business.***

Although we are implementing various measures to detect and reduce the occurrence of fraudulent activities in connection with other businesses we operate, there can be no assurance that these measures will be effective in combating fraudulent transactions or improving overall satisfaction among our consumers, merchants and other participants. Additional measures that we take to address fraud could also negatively affect the attractiveness of our marketplaces and other businesses we operate to consumers or merchants. In addition, merchants in our marketplaces contribute to a fund to provide consumer protection guarantees. If our merchants do not perform their obligations under these programs, we may use funds that have been deposited by merchants in a consumer protection fund to compensate consumers. If the amounts in the fund are not sufficient, we may choose to compensate consumers for losses, although currently we are not legally obligated to do so. If, as a result of regulatory developments, we are required to compensate consumers, we will incur additional expenses. Although we have recourse against our merchants for any amounts we incur, there can be no assurance that we would be able to collect these amounts from our merchants.

Government authorities, industry watchdog organizations or other third parties may issue reports or engage in other forms of public communications concerning alleged fraudulent or deceptive conduct on our platforms. Negative publicity and user sentiment generated as a result of these reports or allegations could severely diminish consumer confidence in and use of our services, reduce our ability to attract new or retain current merchants, consumers and other participants, damage our reputation, result in shareholder or other litigation, diminish the value of our brand, and materially and adversely affect our business, financial condition and results of operations.

***Our e-commerce platforms could be disrupted by network interruptions.***

Our e-commerce platforms depend on the efficient and uninterrupted operation of our computer and communications systems. System interruptions and delays may prevent us from efficiently processing the large volume of transactions on our marketplaces and other businesses we operate.

Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at our facilities, including power outages, system failures, telecommunications delays or failures, construction accidents, break-ins to IT systems, computer viruses or human errors, could result in delays in or temporary outages of our platforms or services, loss of our, consumers' and customers' data and business interruption for us and our customers. Any of these events could damage our reputation, significantly disrupt our operations and the operations of the participants in our ecosystem and subject us to liability, heightened regulatory scrutiny and increased costs, which could materially and adversely affect our business, financial condition and results of operations.

***Natural disasters or terrorist attacks could have an adverse effect on our business.***

Natural disasters, terrorist acts or acts of war may cause equipment failures or disrupt our systems and operations. A failure to protect the privacy of customer and employee confidential data against breaches of network or IT security could result in damage to our reputation.

***Security breaches and attacks against our systems and network, and any potentially resulting breach or failure to otherwise protect personal, confidential and proprietary information, could damage our reputation and negatively impact our business, as well as materially and adversely affect our financial condition and results of operations.***

Our cybersecurity measures may not detect, prevent or control all attempts to compromise our systems or risks to our systems, including distributed denial-of-service attacks, viruses, Trojan horses, malicious software, break-ins, phishing attacks, third-party manipulation, security breaches, employee misconduct or negligence or other attacks, risks, data leakage and similar disruptions that may jeopardize the security of data stored in and transmitted by our systems or that we otherwise maintain. Breaches or failures of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of user information, or denial-of-service or other interruptions to our business operations. In addition, breaches or failures of the systems and cybersecurity measures of our third-party service providers could also result in unauthorized access to our data and user information. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, there can be no assurance that we will be able to anticipate, or implement adequate measures to protect against, these attacks. Moreover, if the security of domain names is compromised, we will be unable to use the domain names in our business operations, which could materially and adversely affect our business operations, reputation and brand image. If we fail to implement adequate encryption of data transmitted through the networks of the telecommunications and Internet operators we rely upon, there is a risk that telecommunications and Internet operators or their business partners may misappropriate our data, which could materially and adversely affect our business operations and reputation.

***Non-compliance with, or changes in, the legal and regulatory environment in the countries in which we operate could increase our costs or reduce our net operating revenues.***

Our business is subject to various laws and regulations in the US and in the countries throughout the world in which we do business, including laws and regulations relating to commerce, intellectual property, trade, environmental, health and safety, commerce and contracts, privacy and communications, consumer protection, web services, tax, and state corporate laws and securities laws; and specifically in the communications equipment industry, many of which are still evolving and could be interpreted in ways that could harm our business. There is no assurance that we will be completely effective in ensuring our compliance with all applicable laws and regulations. Changes in applicable laws or regulations or evolving interpretations thereof, including increased government regulations, may result in increased compliance costs, capital expenditures and other financial obligations for us and could affect our profitability or impede the production or distribution of our products, which could affect our net operating revenues.

***Tightening of tax compliance efforts that affect our merchants could materially and adversely affect our business, financial condition and results of operations.***

Tax legislation relating to the ecosystem is still developing. Governments may promulgate or strengthen the implementation of tax regulations that impose obligations on e-commerce companies, which could increase the costs to consumers and merchants and make our platforms less competitive in these jurisdictions. Governments may require e-commerce companies to assist in the enforcement of tax registration requirements and the collection of taxes with respect to the revenue or profit generated by merchants from transactions conducted on their platforms. We may also be requested by tax authorities to supply information about our merchants, such as transaction records and bank account information, and assist in the enforcement of other tax regulations, including the payment and withholding obligations against our merchants. As a result of more stringent tax compliance requirements and liabilities, we may lose existing merchants and potential merchants might not be willing to open storefronts on our marketplaces, which could in turn negatively affect us. Stricter tax enforcement by tax authorities may also reduce the activities by merchants on our platforms and result in liability to us. Any heightened tax law enforcement against participants in our marketing platforms (including imposition of reporting or withholding obligations on operators of marketplaces with respect to VAT of merchants and stricter tax enforcement against merchants generally) could have a material adverse effect on our business, financial condition and results of operations.

***We may be subject to claims under consumer protection laws, including health and safety claims and product liability claims, if property or people are harmed by the products and services sold through our platforms.***

Government authorities place high importance on consumer protection. Moreover, as part of our growth strategy, we expect to increase our focus on food, food delivery, food supplements and beverages, mother care, cosmetics, baby care, pharmaceutical and healthcare products and services, as well as electronics products, both as a platform operator and as part of our directly operated business. We have also invested in companies involved in these sectors. These activities could pose increasing challenges to our internal control and compliance systems and procedures, including our control over and management of third-party service personnel, and expose us to substantial increasing liability, negative publicity and reputational damage arising from consumer complaints, harms to personal health or safety or accidents involving products or services offered through our platforms or provided by us.

Operators of e-commerce platforms are subject to certain provisions of consumer protection laws even where the operator is not the merchant of the product or service purchased by the consumer. In addition, if we do not take appropriate remedial action against merchants or service providers for actions, they engage in that we know, or should have known, would infringe upon the rights and interests of consumers, we may be held jointly liable for infringement alongside the merchant or service provider.

We may also face increasing scrutiny from consumer protection regulators and activists, as well as increasingly become a target for litigation, in the United States, Europe and other jurisdictions.

Consumer complaints and associated negative publicity could materially and adversely harm our reputation and affect our business expansion. Claims brought against us under consumer protection laws, even if unsuccessful, could result in significant expenditure of funds and diversion of management time and resources, which could materially and adversely affect our business operations, net income and profitability.

***Our business activities may be subject to the Foreign Corrupt Practices Act (“FCPA”), the UK Bribery Act 2010 (“UK Bribery Act”), and other similar anti-bribery and anti-corruption laws of other countries in which we operate.***

We have conducted and have ongoing business operations in international locations, and may in the future initiate business operations in additional countries other than the U.S. Our business activities may be subject to the FCPA, the UK Bribery Act and other similar anti-bribery or anti-corruption laws, regulations or rules of other countries in which we operate. The FCPA generally prohibits offering, promising, giving or authorizing others to give anything of value, either directly or indirectly, to a non-U.S. government official in order to influence official action or otherwise obtain or retain business. The FCPA also requires public companies to make and keep books and records that accurately and fairly reflect the transactions of the corporation and to devise and maintain an adequate system of internal accounting controls. Our business is regulated and therefore involves interaction with public officials, including officials of non-U.S. governments. There is no certainty that all of our employees, agents or contractors, or those of our affiliates, will comply with all applicable laws and regulations, particularly given the high level of complexity of these laws. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, the closing down of our facilities, requirements to obtain export licenses, cessation of business activities in sanctioned countries, implementation of compliance programs and prohibitions on the conduct of our business. Any such violations could include prohibitions on our ability to offer our products in one or more countries and could materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees and our business, prospects, operating results and financial condition.

***Our reputation, our brand and our business may be harmed by aggressive marketing and communications strategies of our competitors.***

Due to intense competition in our industry, we have been and may be the target of incomplete, inaccurate and false statements and complaints about us and our products and services that could damage our reputation and brand and materially deter consumers and customers from spending in our ecosystem. In addition, competitors have used, and may continue to use, methods such as lodging complaints with regulators, initiating frivolous and nuisance lawsuits, and other forms of attack litigation and “lawfare” that attempt to harm our reputation and brand, hinder our operations, force us to expend resources on responding to and defending against these claims, and otherwise gain a competitive advantage over us by means of litigious and accusatory behavior. Our ability to respond on share price-sensitive information to our competitors’ misleading marketing efforts, including lawfare, may be limited during our self-imposed quiet periods around quarter ends consistent with our internal policies or due to legal prohibitions on permissible public communications by us during certain other periods.

## **Risks Related to Digital Assets**

***We may lose our private keys to our digital wallets, causing a loss of all our digital assets.***

Digital assets, such as cryptocurrencies, are stored in a so-called “digital wallet”, which may be accessed to exchange a holder’s digital assets and is controllable by the processor of both the public key and the private key relating to this digital wallet in which the digital assets are held, both of which are unique. We will publish the public key relating to digital wallets in use when we verify the receipt of transfers and disseminate such information into the network, but we will need to safeguard the private keys relating to such digital wallets. If the private key is lost, destroyed, or otherwise compromised, we may be unable to access our cryptocurrencies held in the related digital wallet which will essentially be lost. If the private key is acquired by a third party, then this third party may be able to gain access to our cryptocurrencies. Any loss of private keys relating to digital wallets used to store our cryptocurrencies could have a material adverse effect on our ability to continue as a going concern or could have a material adverse effect on our business, prospects, financial condition, and operating results.

***The storage and custody of digital assets that we may potentially acquire or hold in the future are subject to cybersecurity breaches and adverse software events.***

In addition to the risk of a private key loss to our digital wallet, see “Risks Related to Digital Assets -*We may lose our private keys to our digital wallets, causing a loss of all of our digital assets*”, the storage and custody of our digital assets could also be subject to cybersecurity breaches and adverse software events. To minimize risk, we plan to establish processes to manage wallets, or software programs where assets are held, that are associated with our digital asset holdings.

A “hot wallet” refers to any cryptocurrency wallet that is connected to the Internet. Generally, hot wallets are easier to set up and access than wallets in “cold” storage, but they are also more susceptible to hackers and other technical vulnerabilities. “Cold storage” refers to any cryptocurrency wallet that is not connected to the Internet. Cold storage is generally more secure than hot storage but is not ideal for quick or regular transactions and we may experience lag time in our ability to respond to market fluctuations in the price of our digital assets.

We generally plan to hold most of our digital assets in cold storage to reduce the risk of malfeasance; however, we may also use third-party custodial wallets and, from time to time, we may use hot wallets or rely on other options that may develop in the future. If we use a custodial wallet, there can be no assurance that such services will be more secure than cold storage or other alternatives. Human error and the constantly evolving state of cybercrime and hacking techniques may render present security protocols and procedures ineffective in ways which we cannot predict.

Regardless of the storage method, the risk of damage to or loss of our digital assets cannot be wholly eliminated. If our security procedures and protocols are ineffective and our cryptocurrency assets are compromised by cybercriminals, we may not have adequate recourse to recover our losses stemming from such compromise. A security breach could also harm our reputation. A resulting perception that our measures do not adequately protect our digital assets could have a material adverse effect on our business, prospects, financial condition, and operating results.

***Our digital assets may be subject to loss, theft, hacking, fraud risks and restriction on access.***

There is a risk that some or all our digital assets could be lost or stolen. Hackers or malicious actors may launch attacks to steal or compromise cryptocurrencies, such as by attacking the network source code, exchange miners, third-party platforms, cold and hot storage locations or software, or by other means. Digital asset transactions and accounts are not insured by any type of government program and cryptocurrency transactions generally are permanent by the design of the networks. Certain features of digital asset networks, such as decentralization, the open-source protocols, and the reliance on peer-to-peer connectivity, may increase the risk of fraud or cyber-attack by potentially reducing the likelihood of a coordinated response.

We may be in control and possession of one of the more substantial holdings of digital assets. As we increase in size, we may become a more appealing target of hackers, malware, cyber-attacks or other security threats. Cyber-attacks may also target our miners or third parties and other services on which we depend. Any potential security breaches, cyber-attacks on our operations and any other loss or theft of our digital assets, which could expose us to liability and reputational harm and could seriously curtail the utilization of our services.

***Incorrect or fraudulent digital asset transactions may be irreversible.***

Digital asset transactions generally are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable. As a result, any incorrectly executed or fraudulent digital asset transactions could adversely affect our investments and assets.

Digital asset transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the digital assets from the transaction. While theoretically digital asset transactions may be reversible with the control or consent of a majority of processing power on the network, we do not now, nor is it feasible that we could in the future, possess sufficient processing power to affect this reversal.

Once a transaction has been verified and recorded in a block that is added to a blockchain, an incorrect transfer of a digital asset or a theft thereof generally will not be reversible, and we may not have sufficient recourse to recover our losses from any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, our cryptocurrency rewards could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

Further, according to the SEC, at this time, there is no specifically enumerated U.S. or foreign governmental, regulatory, investigative or prosecutorial authority or mechanism through which to bring an action or complaint regarding missing or stolen digital asset. The market participants, therefore, are presently reliant on existing private investigative entities to investigate any potential loss of our digital assets. These third-party service providers rely on data analysis and compliance of ISPs with traditional court orders to reveal information such as the IP addresses of any attackers. To the extent that we are unable to recover our losses from such action, error or theft, such events could have a material adverse effect on our business, prospects, financial condition and operating results, including our ability to continue as a going concern.

***Acceptance and widespread use of digital assets is uncertain.***

Currently, there is a relatively limited use of any digital assets in the retail and commercial marketplace, contributing to price volatility. Price volatility undermines any digital asset's role as a medium of exchange, as retailers are much less likely to accept it as a form of payment. Banks and other established financial institutions may refuse to process funds for transactions, process wire transfers to or from exchanges, or service providers, or maintain accounts for persons or entities transacting in digital assets. Furthermore, a significant portion of demand for digital assets is generated by speculators and investors seeking a long-term store of value or speculators seeking to profit from the short- or long-term holding of the asset.

The relative lack of acceptance of digital assets in the retail and commercial marketplace, or a reduction of such use, limits the ability of end users to use them to pay for goods and services. Such lack of acceptance or decline in acceptances could have a material adverse effect on our business, prospects, financial condition and operating results.

***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.

***The development and acceptance of cryptographic and algorithmic protocols governing the issuance of and transactions in digital assets is subject to a variety of factors that are difficult to evaluate.***

Digital assets are a new and rapidly evolving industry of which the digital asset networks are prominent, but not unique, parts. The growth of the digital asset industry, in general, and the digital asset networks, in particular, are subject to a high degree of uncertainty. The factors affecting the further development of the digital asset industry, as well as the digital asset networks, include:

- continued worldwide growth in the adoption and use of digital assets;
- government and quasi-government regulation of digital assets and their use, or restrictions on or regulation of access to and operation of the digital asset network or similar digital assets systems;
- the maintenance and development of the open-source software protocol of the network;
- changes in consumer demographics and public tastes and preferences;
- the availability and popularity of forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- general economic conditions and the regulatory environment relating to digital assets; and
- the impact of regulators focusing on digital assets and digital securities and the costs associated with such regulatory oversight.

The outcome of these factors could have negative effects on our ability to pursue our business strategy, which could have a material adverse effect on our business, prospects, financial condition, and operating results as well as potentially negative effect on the value of digital assets that we may potentially acquire or hold in the future.

***Banks and financial institutions may not provide banking services, or may cut off services, to businesses that distribute digital assets, provide digital asset-related services or that accept digital assets as payment.***

A number of companies that provide digital asset-related services have been unable to find banks or financial institutions that are willing to provide them with bank accounts and other services. Similarly, a number of companies and individuals or businesses associated with digital assets may have had and may continue to have their existing bank accounts closed or services discontinued with financial institutions. We also may be unable to maintain these services for our business.

The difficulty that many businesses that distribute digital assets, provide digital asset-related services or that accept digital assets as payment have and may continue to have in finding banks and financial institutions willing to provide them services may decrease the usefulness of cryptocurrencies as a payment system and harm public perception of cryptocurrencies. Similarly, the usefulness of cryptocurrencies as a payment system and the public perception of cryptocurrencies could be damaged if banks or financial institutions were to close the accounts of businesses distributing digital assets, providing digital asset-related services or accepting digital assets as payment. This could occur because of compliance risk, cost, government regulation or public pressure. The risk applies to securities firms, clearance and settlement firms, national stock and commodities exchanges, the over-the-counter market and the Depository Trust Company. Such factors would have a material adverse effect on our business, prospects, financial condition, and operating results.



***We may face risks of Internet disruptions, which could have a material adverse effect on the price of digital assets.***

A disruption of the Internet may affect the use of cryptocurrencies and subsequently the value of our securities. Generally, digital assets are dependent upon the Internet. A significant disruption in Internet connectivity could disrupt a currency's network operations until the disruption is resolved and have a material adverse effect on the price of digital assets and, consequently, our business, prospects, financial condition, and operating results.

***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 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 consider 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 on 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 payment-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, several 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 several 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 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 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.

## **Risks Related to Doing Business in China**

***We contemplate that our business expansion, if successful, will result in an increase in the business we do in China. Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business, financial conditions and results of operations.***

Currently we do not have operations in China. However, as our e-commerce business expands, we expect to market our products and services in China, and perhaps establish operations in China at a future time, all of which would expose our business, prospects, financial condition and results of operations to an increasingly significant extent to political, economic and social conditions in China generally.

The Chinese economy differs from the economies of most developed countries in many respects, including the degree of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China are still owned or controlled by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and in various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations.

The growth rate of the Chinese economy has gradually slowed since 2010. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our business and results of operations.

***Uncertainties with respect to the PRC legal system could adversely affect us.***

The Peoples Republic of China ("PRC" or "China") legal system is a civil law system based on written statutes, where prior court decisions have limited precedential value. The PRC legal system is evolving rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties. Although we have taken measures to comply with the laws and regulations applicable to our business operations and to avoid conducting any non-compliant activities under these laws and regulations, the PRC governmental authorities may promulgate new laws and regulations regulating our business. Moreover, developments in our industry may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies. As a result, we may be required by the regulators to upgrade the licenses or permits we may obtain, to obtain additional licenses, permits, approvals, to complete additional filings or registrations for the services we provide, or to modify our business practices. Any failure to upgrade, obtain or maintain such licenses, permits, filings or approvals or requirement to modify our business practices may subject us to various penalties, including, among others, the confiscation of revenues and imposition of fines. We cannot assure you that our business operations would not be deemed to violate any existing or future PRC laws or regulations, which in turn may limit or restrict us, and could materially and adversely affect our business and operations.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of a judicial or administrative proceeding than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered and could materially and adversely affect our business and the results of operations.

Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability regarding our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations.

***Recent litigation and negative publicity surrounding China-based companies listed in the United States may negatively impact the trading price of our securities.***

We believe that recent litigation and negative publicity surrounding companies with operations in China that are listed in the United States have negatively impacted the stock prices of these companies. Certain politicians in the United States have publicly warned investors to shun China-based companies listed in the United States. The SEC and the Public Company Accounting Oversight Board (United States), or the PCAOB, also issued a joint statement on April 21, 2020, reiterating the disclosure, financial reporting and other risks involved in the investments in companies that are based in emerging markets as well as the limited remedies available to investors who might take legal action against such companies. Furthermore, various equity-based research organizations have recently published reports on China-based companies after examining their corporate governance practices, related party transactions, sales practices and financial statements, and these reports have led to special investigations and listing suspensions on U.S. national exchanges. Any similar scrutiny on us, regardless of its lack of merit, could cause the market price of our securities to fall, divert management resources and energy, cause us to incur expenses in defending ourselves against rumors, and increase the premiums we pay for director and officer insurance.

**Fluctuations in exchange rates could have a material and adverse effect on the results of our operations and the value of your investment.**

The conversion of Renminbi, the official currency of China, into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC, or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of our securities. For example, to the extent that we need to convert Renminbi we receive in payment for products and services into U.S. dollars to pay our operating expenses, depreciation of Renminbi against the U.S. dollar would have an adverse effect on the amount of the U.S. dollars we would receive from the conversion. Conversely, a significant depreciation of Renminbi against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our securities.

In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into other currencies, such as the U.S. dollar. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

**Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.**

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Approval from or registration with appropriate government authorities or delegated banks is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient currency to satisfy our US or PRC currency demands, our operations could be adversely affected.

## **Risks Related to Our Securities**

***You may experience dilution of your ownership interests because of the future issuance of additional shares of our common or preferred stock or other securities that are convertible into or exercisable for our common or preferred stock.***

We are authorized to issue an aggregate of 50,000,000 shares of common stock and 3,333,333 shares of “blank check” preferred stock. In the future, we may issue our authorized but previously unissued equity securities, resulting in the dilution of the ownership interests of our present stockholders. We may issue additional shares of our common stock or other securities that are convertible into or exercisable for our common stock in connection with hiring or retaining employees, future acquisitions, future sales of our securities for capital raising purposes, or for other business purposes. The future issuance of any such additional shares of our common stock may create downward pressure on the trading price of the common stock.

***You will experience future dilution because of future equity offerings.***

We may in the future offer additional shares of our common stock or other securities convertible into or exchangeable for our common stock. Although no assurances can be given that we will consummate a financing, in the event we do, or in the event we sell shares of common stock or other securities convertible into shares of our common stock in the future, additional and substantial dilution will occur. In addition, investors purchasing shares or other securities in the future could have rights superior to our current stockholders.

***We do not anticipate paying dividends on our common stock, and investors may lose the entire amount of their investment.***

Cash dividends have never been declared or paid on our common stock, and we do not anticipate such a declaration or payment in the foreseeable future. We expect to use future earnings, if any, to fund business growth. Therefore, stockholders will not receive any funds absent a sale of their shares of common stock. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price appreciates. We cannot assure stockholders of a positive return on their investment when they sell their shares, nor can we assure that stockholders will not lose the entire amount of their investment.

***The ability of our Board of Directors to issue additional stock may prevent or make certain transactions more difficult, including a sale or merger of the Company.***

Our Board of Directors is authorized to issue up to 3,333,333 shares of preferred stock with powers, rights and preferences designated by it. Shares of voting or convertible preferred stock could be issued, or rights to purchase such shares could be issued, to create voting impediments or to frustrate persons seeking to affect a takeover or otherwise gain control of the Company. The ability of the Board of Directors to issue such additional shares of preferred stock, with rights and preferences it deems advisable, could discourage an attempt by a party to acquire control of the Company by tender offer or other means. Such issuances could therefore deprive stockholders of benefits that could result from such an attempt, such as the realization of a premium over the market price for their shares in a tender offer or the temporary increase in market price that such an attempt could cause. Moreover, the issuance of such additional shares of preferred stock to persons friendly to the Board of Directors could make it more difficult to remove incumbent officers and directors from office even if such change were to be favorable to stockholders generally.

***Our common stock and warrants are thinly traded and there can be no assurance that a more active public market will ever develop. Failure to develop or maintain an active trading market could negatively affect the value of our common stock and make it difficult or impossible for you to sell your shares.***

Our common stock and Warrants are listed on Nasdaq but there can be no assurance that an active trading market will develop for our shares and Warrants. Should we fail to satisfy the Nasdaq continued listing standards, the trading price of our common stock could suffer and the trading market for our common stock and warrants may be less liquid, and our common stock price and warrant price may be subject to increased volatility, making it difficult or impossible to sell shares of our common stock and warrants.

***The provisions of our Nasdaq listed Warrants could discourage the acquisition of us by a third party.***

Certain provisions of our Nasdaq listed Warrants could make it more difficult or expensive for a third party to acquire us. The Nasdaq listed Warrants prohibit us from engaging in certain transactions constituting “fundamental transactions” unless, among other things, the surviving entity assumes our obligations under the warrants. These and other provisions of the Nasdaq listed Warrants could prevent or deter a third party from acquiring us even where the acquisition could be beneficial to you.

***There can be no assurance that we will be able to comply with the continued listing standards of Nasdaq, a failure of which could result in a de-listing of our common stock.***

The Nasdaq Capital Market requires that the trading price of its listed stocks remain above one dollar in order for the stock to remain listed. If a listed stock trades below one dollar for more than 30 consecutive trading days, then it is subject to delisting from Nasdaq. In addition, to maintain a listing on Nasdaq, we must satisfy minimum financial and other continued listing requirements and standards, including those regarding director independence and independent committee requirements, minimum stockholders’ equity, and certain corporate governance requirements. If we are unable to satisfy these requirements or standards, we could be subject to delisting, which would have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. In the event of a delisting, we would expect to take actions to restore our compliance with the listing requirements, but we can provide no assurance that any such action taken by us would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock, prevent our common stock from dropping below the minimum bid price requirement, or prevent future non-compliance with the listing requirements.

***Our stock price may be volatile.***

The market price of our common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including the following:

- changes in our industry;
- competitive pricing pressures;
- our ability to obtain working capital financing;
- additions or departures of key personnel;
- conversions from preferred stock to common stock;
- sales of our common and preferred stock;
- our ability to execute our business plan;
- operating results that fall below expectations;
- loss of any strategic relationship;
- regulatory developments; and
- economic and other external factors.

In addition, the securities markets have from time-to-time experienced significant price and volume fluctuations that are unrelated to the operating performance of companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

***Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.***

If our stockholders sell substantial amounts of our common stock in the public market, including upon the expiration of any statutory holding period under Rule 144, or issued upon the conversion of preferred stock or exercise of warrants, it could create a circumstance commonly referred to as an “overhang” and in anticipation of which the market price of our common stock could fall. The existence of an overhang, whether sales have occurred or are occurring, also could make more difficult our ability to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

## **Item 1B. Unresolved Staff Comments**

Not applicable.

## **Item 2. Description of Property.**

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

For our facilities in Poole, England, we rent office and warehouse space of approximately 2,660 square feet for £30,000 annually or approximately USD \$40,000, based on a yearly average exchange rate of 1.3269 GBP:USD. The Poole lease was renewed on October 6, 2022, and will expire October 31, 2023.

We believe that we have adequate space for our anticipated needs and that suitable additional space will be available at commercially reasonable prices as needed.

## **Item 3. 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 his fiduciary duties, fraud in the inducement in connection with the employment agreement, fraudulent misrepresentation, and constructive fraud. A detailed recitation of the Company's factual allegations supporting these claims can be found in the Company's Second Amended Complaint, filed June 21, 2022. 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 July 5, 2022, Mr. Seifert moved to dismiss NextPlat's Second Amended Complaint, and filed a Counterclaim against the Company and its Chief Executive Officer, Charles M. Fernandez. In his Counterclaim, Mr. Seifert seeks legal remedies in connection with the Company's June 22, 2021, termination of his employment. Mr. Seifert also claims Retaliatory Discharge under Florida's Private Whistleblower Act, Defamation, and Negligent Misrepresentation.

The Company, joined by Mr. Fernandez, moved to dismiss Mr. Seifert's Counterclaim on July 25, 2022. Mr. Seifert filed a Response in Opposition on August 8, 2022, and on August 15, 2022, the Company filed a Reply in Support of its Motion to Dismiss.

On January 9, 2023, the United States Magistrate Judge entered a Report and Recommendation on the Parties Motions to Dismiss. The Magistrate granted in part and denied in part both Motions. A Status Conference is scheduled for April 2023. The court has not ruled on the report and recommendation and has not entered an order on either parties' motion to dismiss.

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. Other than the matter described above, 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 4. Mine Safety Disclosures.

Not applicable.

## PART II

#### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

##### Market Information

Our shares have been listed on the Nasdaq Capital Market since May 28, 2021. Our common stock and warrants have been trading on the Nasdaq Capital Market under the symbols “NXPL” and “NXPLW,” respectively, since January 21, 2022.

##### Holders of Common Equity

As of March 30, we had 14,441,025 shares of our common stock issued and outstanding held by approximately 495 stockholders of record.

##### Dividend Policy

We have never paid any cash dividends on our capital stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain future earnings to fund ongoing operations and future capital requirements. Any future decision to pay cash dividends will be at the discretion of our Board of Directors and will be dependent upon financial condition, results of operations, capital requirements and such other factors as the Board of Directors deems relevant.

##### Issuer Purchases of Equity Securities

None.

##### Equity Compensation Plan Information

See Part III, Item 12 to this Annual Report on Form 10-K for information relating to securities authorized for issuance under our equity compensation plans.

The following table summarizes information, as of December 31, 2022, relating to equity compensation plans of the Company under which the Company’s common stock is authorized for issuance.

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted- average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans</u>
<i>Equity compensation plans approved by security holders:</i>			
Equity compensation plans			
2020 Incentive Plan	523,000	\$ 1.23	600
Equity compensation plans			
2021 Incentive Plan	170,000	\$ 2.58	1,378
<i>Equity compensation plans not approved by security holders:</i>			
2018 Incentive Plan	3,083	\$ 11.25	1,333
Equity compensation issued pursuant to individual compensation arrangements	1,423,618	\$ 3.05	-
Total	<u>2,119,701</u>	<u>\$ 2.78</u>	<u>3,311</u>

#### Item 6. [Reserved].

#### Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

##### Cautionary Notice Regarding Forward Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including those relating to our liquidity, our belief that we will not have sufficient cash and borrowing capacity to meet our working capital needs for the next 12 months without further financing, our expectations regarding acquisitions and new lines of business, gross profit, gross margins and capital expenditures. Additionally, words such as “expects,” “anticipates,” “intends,” “believes,” “will,” “would,” “plan,” “vision” and similar words are used to identify forward-looking statements.

Some or all the results anticipated by these forward-looking statements may not occur. Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements include, but are not limited to, the Risk Factors which appear in our filings and reports made with the Securities and Exchange Commission (the “SEC”), our lack of working capital, the value of our securities, the impact of competition, the continuation or worsening of current economic conditions, technology and technological changes, a potential decrease in consumer spending and the condition of the domestic and global credit and capital markets. Additionally, these forward-looking statements are presented as of the date this Form 10-K is filed with the SEC. We do not intend to update any of these forward-looking statements.

*This discussion should be read in conjunction with the other sections of this Report, including “Risk Factors,” “Description of Business” and the Financial Statements attached hereto pursuant and the related exhibits. The various sections of this discussion contain a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this Report.*

The following discussion provides information which management believes is relevant to an assessment and understanding of our results of operations and financial condition. The discussion should be read along with our financial statements and notes thereto contained elsewhere in this annual report. The following discussion and analysis contains forward-looking statements, which involve risks and uncertainties. Our actual results may differ significantly from the results, expectations and plans discussed in these forward-looking statements.

## **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.

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

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 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. 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.

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 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 a 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. Consequently, 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.

#### ***December 2022 Private Placement of Common Stock***

On December 9, 2022, the Company entered into a securities purchase agreement with certain institutional and accredited investors for the sale by the Company in a private placement of 4,575,429 units, each unit comprising (i) one share of the Company's common stock, and (ii) one warrant to purchase one share of common stock. The offering price of the units was \$1.75 per unit. The warrants included in the units are exercisable at a price of \$1.75 per share and expire three years from the date of issuance.

The offering closed on December 14, 2022, and the Company received gross proceeds of approximately \$8.0 million for the units. The Company intends to use the proceeds from the offering for working capital needs, potential acquisitions, joint ventures, and ongoing business transition activities.

In connection with the offering, the Company entered into a registration rights agreement, pursuant to which, among other things, the Company will prepare and file with the Securities and Exchange Commission (the "SEC") a registration statement to register for resale the shares of Common Stock sold in the offering and the shares of Common Stock underlying the Warrants, within 15 calendar days and to use its best efforts to have the registration statement declared effective as promptly as practical thereafter.

The securities 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 securities 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.

#### ***Investment in Progressive Care Inc.***

On August 30, 2022, the Company entered into a Securities Purchase Agreement (the "SPA") with Progressive Care, Inc. (OTCQB: RXMD) ("Progressive"), which subsequently closed on September 2, 2022. We purchased a non-controlling interest with a view to enhancing our product and services offerings. Progressive is a Florida health services organization and provider of Third-Party Administration (TPA), data management, COVID-19 related diagnostics and vaccinations, 340B contracted pharmacy services, prescription pharmaceuticals, compounded medications, provider of tele-pharmacy services, the sale of anti-retroviral medications, medication therapy management (MTM), the supply of prescription medications to long-term care facilities, and health practice risk management. Our Chairman, Charles Fernandez, was appointed as the Chief Executive Officer of Progressive in November 2022 along with our Board member, Mr. Rodney Barreto, who was appointed to serve as Vice Chairman of Progressive's board of directors. Our holdings in Progressive include preferred stock, common stock, warrants and convertible debt, and we currently account for it using the equity method. In addition, we have extended an equity line of credit to Progressive. Through conversion of our convertible debt and warrants as well as via securities issuances that would result from utilization of the equity line of credit, we are able to own more than 50% of the voting equity securities of Progressive should we choose to do so. We have determined to use our ownership of the above securities to assert control over Progressive; and we are in the process of assessing whether we should take steps to obtain further control of Progressive and/or integrate Progressive's business with our own; or whether we should maintain it as a separate business.

The September 2, 2022, transaction with Progressive included the purchase of 3,000 newly issued units of securities from Progressive at a price per Unit of \$2,000 for an aggregate purchase price of \$6 million (the “Unit Purchase”). Each Unit consists of one share of Series B Convertible Preferred Stock of Progressive (“Series B Preferred Stock”) and one warrant to purchase a share of Series B Preferred Stock (“RXMD Warrants”).

Each share of Series B Preferred Stock votes as a class with the common stock of Progressive Care and has 500 votes per share. Likewise, each share of Series B Preferred Stock is convertible into 500 shares of Progressive common stock. In addition, the Series B Preferred Stock has a liquidation and dividend preference. The RXMD Warrants have a five-year term, and are immediately exercisable, in whole or in part, and contain cashless exercise provisions. Each Warrant is exercisable at \$4.00 per share of Series B Preferred Stock.

Following the consummation of the Unit Purchase, our Chairman and Chief Executive Officer, Charles M. Fernandez, and our board member, Rodney Barreto, were appointed to Progressive’s Board of Directors, with Mr. Fernandez appointed to serve as Chairman of Progressive’s Board of Directors and Mr. Barreto appointed to serve as a Vice Chairman of Progressive’s Board of Directors. On November 11, 2022, the Progressive Board of Directors elected Mr. Fernandez to serve as the Chief Executive Officer of Progressive Care.

In addition, on September 2, 2022, NextPlat, Charles Fernandez, Rodney Barreto and certain other purchasers purchased from Iliad Research and Trading, L.P. (“Iliad”) a Secured Convertible Promissory Note, dated March 6, 2019, made by Progressive to Iliad (the “Note”). The accrued and unpaid principal and interest under the note at the time of the purchase was approximately \$2.79 million. The aggregate purchase price paid to Iliad for the Note was \$2.3 Million of which NextPlat contributed \$1.0 million and Messrs. Fernandez and Barreto contributed \$400,000 each (the “Note Purchase”).

In connection with the Note Purchase, NextPlat, Messrs. Fernandez and Barreto and the other purchasers of the Note entered into a Debt Modification Agreement with Progressive Care. Pursuant to the Debt Modification Agreement, the interest rate under the Note was reduced from 10% to 5% per annum and the maturity date was extended to May 31, 2027. In addition, the conversion price under the note was changed to \$0.02 per share of Common Stock. Pursuant to the Debt Modification Agreement, NextPlat, Messrs. Fernandez and Barreto and the other purchasers of the Note have the right, exercisable at any time, to redeem all or any portion of the Note. The Debt Modification Agreement also provides that the Note will automatically convert upon the later to occur of: (a) the completion by Progressive of a reverse stock split, and (b) the listing of Progressive’s common stock on a national exchange. In consideration of the concessions in the Debt Modification Agreement, Progressive issued 105,000 shares of its common stock to the purchasers of the Note, of which NextPlat, Charles Fernandez and Rodney Barreto, received 45,653, 18,261, and 18,261 shares, respectively, in each case after giving effect to a 1-for-200 reverse stock split enacted by Progressive Care on December 30, 2022.

On November 16, 2022, NextPlat Corp (NASDAQ: NXPL, NXPLW) (the “Company” or “NextPlat”) entered into a Securities Purchase Agreement (the “SPA”) with Progressive (OTCQB: RXMD), pursuant to which the Company has agreed to purchase, from time to time during the three year term of the SPA, up to an aggregate of \$10.0 million of secured convertible debentures from Progressive (the “Debentures”). Pursuant to the SPA, all purchases of the Debentures will be made at the Company’s sole election and the proceeds from each purchase will be used by Progressive only as approved by the Company’s Board of Directors. Until used, the proceeds from each purchase of Debentures will be deposited in a controlled account. If and when the Company elects to purchase Debentures under the SPA, the minimum principal amount that can be purchased at any time is \$1.0 million.

In addition, at the closing of each purchase under the SPA, the Company and Progressive will enter into a Registration Rights Agreement (each, a “Registration Rights Agreement”) pursuant to which Progressive will agree to register the shares of Progressive common stock issuable upon conversion in full of the Debentures purchased by the Company at such closing.

In accordance with the form of Debenture to be used for each purchase under the SPA, each Debenture will be convertible at any time, upon the Company’s election, to shares of Progressive’s common stock at a conversion price of \$6.0 per share (on a post-split bases and may be further adjusted from time to time for share dividends, share splits, reverse share splits, etc.). In addition, each Debenture will mature on the third anniversary of its issuance and bear interest at 5.0% per annum, payable quarterly. At the Company’s election, interest can be paid in cash, shares of Progressive’s common stock, or some combination thereof. Progressive has the right to prepay the Debenture at any time provided that it gives the Company seven (7) business days advance written notice, during which time the Company could elect to convert the Debenture to Progressive common stock. Upon the prepayment of a Debenture, Progressive will pay the Company an amount equal to the sum of: (i) all outstanding principal under such Debenture, plus (ii) all accrued and unpaid interest under such Debenture through the prepayment date, multiplied by (iii) 110%. While amounts are outstanding under a Debenture, Progressive will be subject to certain restrictive covenants, including with respect to the incurrence of indebtedness, the imposition of liens on Progressive’s assets, changes to the Progressive’s organization documents, etc.

In connection with the SPA, on November 16, 2022, the Company entered into a Security Agreement (the “Security Agreement”) with Progressive and its subsidiaries, Touchpoint RX, LLC, a Florida limited liability company (“Touchpoint”), Family Physicians RX, Inc., a Florida corporation (“FPRX”), and ClearMetrX Inc., a Florida corporation (“ClearMetrX” and collectively with Progressive, Touchpoint and FPRX, the “Borrower Parties”). Pursuant to the Security Agreement, the Borrower Parties granted the Company a security interest in all of their respective assets to secure Progressive’s obligations under the Debentures.

#### ***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.

#### ***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.

### ***Enterprise Resource Planning System (ERP)***

On April 1, 2022, the Company commenced its implementation of an enterprise resource planning “ERP” system, to replace our legacy business applications. The new ERP platform provides better support for our changing business needs and plans for future global growth. The project includes software, external implementation assistance, testing, training, and support. For the year ended December 31, 2022, 19.2% or approximately \$86,000 of the cost was expensed in the period incurred to SG&A and 80.8% or approximately \$362,000 was capitalized and depreciated over its useful life. On January 1, 2023, the Company completed its implementation process.

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.

### ***Distribution of Our Products Through Alibaba***

On July 13, 2021, we announced that our Global Telesat Communications (“GTC”) unit has entered into an agreement with Alibaba.com, the B2B (Business-to-Business) e-commerce website owned and operated by Alibaba Group Holding Limited, also known as Alibaba Group (NYSE: BABA; HKEX: 9988), a Chinese multinational technology company specializing in e-commerce, retail, internet, and technology. GTC is a Gold-level Supplier on Alibaba.com, the world’s largest Business-to-Business (B2B) e-commerce website. Under the agreement, GTC significantly expanded its 24/7/365 e-commerce presence with the launch of its latest global storefront on Alibaba.com on which it offers a range of satellite IoT and connectivity products. These will include our specialized satellite tracking products, some of which operate using the Company’s many ground station-based network processors and can be used to track and monitor the location of cars, trucks, trailers, boats, containers, animals, and other remote assets. Although we currently have a limited range of products available through the Alibaba storefront due to supply chain constrictions, we plan to ultimately have up to 500 products and connectivity services available on Alibaba.com. The agreement will continue a year-to-year basis.

### ***Listing on the Nasdaq Capital Market***

Our shares have been listed on the Nasdaq Capital Market since May 28, 2021. 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.

### **Critical Accounting Policies and Estimates**

Our consolidated financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by management’s applications of accounting policies. Critical accounting policies for our company include the following:

#### **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.

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.



## 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.

In June 2018, the FASB issued ASU 2018-07, Compensation – Stock Compensation. (Topic 718). This update is intended to reduce cost and complexity and to improve financial reporting for share-based payments issues to non-employees (for example, service providers, external legal counsel, suppliers, etc.). The ADU expands the scope of ASC 718, Compensation - Stock Compensation, which currently only includes share-based payments issued to employees, also includes share-based payments issues to non-employees for goods and services. Consequently, the accounting for share-based payment to non-employees and employees will be substantially aligned. This standard will be effective for the financial statements issues by public companies for the annual and interim periods beginning after December 15, 2018. Early adoption of the standard is permitted. The standard will be applied in a retrospective approach for each period presented. Management adopted this standard on January 1, 2019.

The Company estimated the fair value of stock options granted using the Black-Scholes option-pricing formula. This fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. The Company's determination of the fair value using the option-pricing model is affected by the stock price as well as assumptions regarding the number of highly subjective variables.

## 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, and common stock and options issued for services, receivables, the useful lives of property and equipment, and intangible assets, the estimate of the fair value of the lease liability and related right of use assets and the estimates of the valuation allowance on deferred tax assets.

## Effect of Exchange Rate on Results

The Company's reporting currency is U.S. Dollars. The accounts of one of the Company's subsidiaries, GTC, 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 year ended December 31, 2022, closing rate at 1.2098 US\$: GBP, yearly average rate at 1.2369 US\$: GBP for the year ended December 31, 2021, closing rate at 1.3534 US\$: GBP, yearly average rate at 1.3750 US\$: GBP

For the year ended December 31, 2022, GTC represents 72.5% of total company sales and as such, currency rate variances have an impact on results. The net effect on revenues were impacted by the differences in exchange rate from yearly average exchange of 1.2369 to 1.3751. Had the yearly average rate remained, sales would have been higher by approximately \$953,000. GTC comparable sales in GBP, its home currency, increased 77.9% or approximately £3.0 million, from approximately £3.9 million to approximately £6.9 million for the year ended December 31, 2022, as compared to December 31, 2021.

For the year ended December 31, 2021, GTC represents 68.8% of total company sales and as such, currency rate variances have an impact on results. The net effect on revenues were impacted by the differences in exchange rate from yearly average exchange of 1.2866 to 1.3750. Had the yearly average rate remained, sales would have been lower by approximately \$459,000. GTC comparable sales in GBP, its home currency, increased 34.0% or £984,000, from £2.9 million to £3.9 million for the year ended December 31, 2021, as compared to December 31, 2020.

## Results of Operations

*Net Revenue.* For the years ended December 31, 2022, and 2021, revenues generated were approximately \$11.7 million and approximately \$7.7 million, an increase of approximately \$4.0 million or 51.3%. Revenues were derived primarily from the sales of satellite phones, locator beacons, IoT GPS trackers, terminals, accessories and additional and recurring airtime plans. Comparable sales for Orbital Satcom Corp increased to approximately \$3.2 million from approximately \$2.4 million or an increase of approximately \$825,000 or 34.2%. Comparable sales for GTC increased to approximately \$8.5 million from approximately \$5.3 million, or an increase of approximately \$3.2 million or approximately 60.1%. The overall sales increase is attributable to increased sales through Amazon storefronts and product selections, which constituted 54.3% and 63.6% of our total sales for the years ended December 31, 2022, and 2021, respectively.

Approximately 54.3% of our products are sold on Amazon and are subject to Amazon's terms of service and various other Amazon seller policies that apply to third parties selling products on Amazon's marketplace. Amazon's terms of service provide, among other things, that it may terminate or suspend its agreement with any seller or any of its services being provided to a seller at any time and for any reason. In addition, if Amazon determines that any seller's actions or performance, including ours, may result in violations of its terms or policies, or create other risks to Amazon or to third parties, then Amazon may in its sole discretion withhold any payments owed for as long as Amazon determines any related risk to Amazon or to third parties persist. Further, if Amazon determines that any seller's, including our, accounts have been used to engage in deceptive, fraudulent or illegal activity, or that such accounts have repeatedly violated its policies, then Amazon may in its sole discretion permanently withhold any payments owed. In addition, Amazon in its sole discretion may suspend a seller account and product listings if Amazon determines that a seller has engaged in conduct that violates any of its policies. Any limitation or restriction on our ability to sell on Amazon's platform could have a material impact on our business, results of operations, financial condition and prospects. We also rely on services provided by Amazon's fulfillment platform which provides for expedited shipping to the consumer, an important aspect in the buying decision for consumers. Any inability to market our products for sale with delivery could have a material impact on our business, results of operations, financial condition and prospects. Failure to remain compliant with the fulfillment practices on Amazon's platform could have a material impact on our business, results of operations, financial condition and prospects.

*Cost of Sales.* During the years ended December 31, 2022, and 2021, cost of sales increased to approximately \$9.2 million compared to approximately \$5.9 million for the year ended December 31, 2021, an increase of approximately \$3.3 million or 56.8%. We expect our cost of revenues to increase during fiscal 2023 and beyond, as we expand our operations and begin generating additional revenues under our current business. However, we are unable at this time, to estimate the amount of the expected increases. Gross profit margins during the year ended December 31, 2022, and 2021 were 21.2% and 24.0%, respectively. The decrease in margin was attributable 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 year ended December 31, 2022 were approximately \$9.7 million, an increase of approximately \$1.2 million, or 14.7%, from total operating expenses for the year ended December 31, 2021, of approximately \$8.5 million. Factors contributing to the increase are described below.

*Selling, general and administrative expenses* were approximately \$5.1 million for both years ended December 31, 2022 and 2021, respectively. Stock based compensation decreased approximately \$785,000 which was offset by increases in information technology expense, insurance, rent, marketing, travel and variable expenses which increase with sales.

*Salaries, wages and payroll taxes* were approximately \$2.6 million and \$1.8 million for the years ended December 31, 2022, and 2021, respectively, representing an increase of approximately \$726,000, or 39.5%. The increase is a result of executive management additions and an increase in personnel.

*Professional fees* were approximately \$1.6 million and \$1.2 million for the years ended December 31, 2022, and 2021, respectively, representing an increase of approximately \$354,000 or 29.6%. The increase in professional fees were primarily due to an increase in legal, accounting and public company expenses of approximately \$479,000, an increase in director fees of approximately \$99,000, associated with the two additional independent directors offset by a reduction to the current director fee structure, decrease in other professional fees of approximately \$224,000, related to capital raising efforts.

*Depreciation and amortization* expenses were approximately \$490,000 and \$317,000 for the years ended December 31, 2022 and 2021, respectively, representing an increase of approximately \$173,000, or 54.5%. The increase was attributable to fixed asset additions.

We expect our expenses in each of these areas to continue to increase during fiscal 2023 and beyond as we expand our operations and begin generating additional revenues under our current business. However, we are unable at this time to estimate the amount of the expected increases.

*Total Other (Income) Expense.* Our total other expenses were approximately \$132,000 and \$1.5 million during the years ended December 31, 2022, and 2021, respectively, representing a decrease of approximately \$1.4 million or 91.1%. The decrease was attributable to the Company's decrease in interest expense of approximately \$1.4 million related to convertible notes payable.

*Net Loss Before Income Tax & Equity of Affiliate.* We recorded a net loss before income tax and equity net loss of affiliate of approximately \$7.3 million and \$8.1 million for the years ended December 31, 2022 and 2021, respectively. The increase is a result of the factors as described above.

*Provision for Income Taxes and Income Tax Expense.* For the years ended December 31, 2022, and 2021, the Company recorded income tax expense of \$87,000 and \$0, respectively.

*Equity in Net Losses of Affiliate.* We recorded a net loss in equity of affiliate of approximately \$1.7 million for the year ended December 31, 2022. See Note 7 – Equity Method Investment in Progressive Care Inc. and Subsidiaries. For the year ended December 31, 2021, there were no losses or income.

*Net Loss.* We recorded net loss of approximately \$9.2 million and \$8.1 million, for the years ended December 31, 2022 and 2021, respectively. The increase is a result of the factors as described above.

*Comprehensive Loss.* We recorded a (loss) gain for foreign currency translation adjustments for the year ended December 31, 2022, and 2021 of approximately (\$44,000) and \$46,000, respectively. The fluctuations of the increase/decrease are primarily attributable to exchange rate variances. Comprehensive loss for the year ended December 31, 2022 and 2021, was approximately \$9.2 million and \$8.1 million, respectively.

## **Liquidity and Capital Resources**

Since inception, we have incurred and continue to incur significant losses from operations. Historically, cash flow from operations has not been sufficient to further the growth of the Company's core business. The combined proceeds from the June 2021 Offering of approximately \$16.6 million, January 2022 Offering of approximately \$7.2 million and December 2022 Offering of approximately \$8.0 million provide sufficient cash resources for the Company to meet its operating needs. Furthermore, the available cash resources permit investment to expand existing business, investments in expanding our e-commerce platforms, and the development of digital asset initiatives. Should these initiatives and results from operations not prove successful, we will need to raise additional capital through debt facilities, and/or public or private equity or debt financings to continue operations. The Company can provide no assurance as to the successful conclusion of the financings.

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 December 31, 2022, we had a cash balance of approximately \$18.9 million and working capital is approximately \$19.2 million. We reported a net increase in cash for the year ended December 31, 2022, as compared to December 31, 2021, of approximately \$1.6 million primarily as a result of net cash proceeds received from the January 2022 and December 2022 Offering, and offset by the investment in Progressive Care, Inc. during the third quarter of 2022.

We believe that our existing working capital and our future cash flows from operating activities will provide sufficient cash to enable us to meet our operating needs for the next twelve months.

Our current assets on December 31, 2022, increased 9.3% to approximately \$21.2 million, from approximately \$19.4 million or an increase of approximately \$1.8 million, from December 31, 2021. The increases included cash of approximately \$1.6 million, net accounts receivable of approximately \$34,000, inventory of approximately \$267,000, unbilled revenue of \$41,000, offset by decreases in VAT receivable of approximately \$59,000, prepaid expenses current portion of approximately \$51,000, and other current assets of approximately \$49,000.

Our current liabilities on December 31, 2022, decreased to approximately \$2.1 million from \$2.8 million for a decrease of approximately \$722,000, or 26.0% from December 31, 2021. The decrease is primarily related to the stock subscription payable of approximately \$1.4 million, applied towards the January 5, 2022, private placement of common stock, of approximately \$7.2 million.

## **Operating Activities**

Net cash flows used in operating activities for the year ended December 31, 2022 amounted to approximately \$3.6 million and were attributable to our net loss of approximately \$9.2 million, offset by depreciation expense of approximately \$465,000, amortization of intangible asset of approximately \$25,000, right of use asset of approximately \$106,000, write-off of website development costs of approximately \$43,000, share of loss from equity method investment of approximately \$1.7 million, stock-based compensation related to the fair value of options granted of approximately \$823,000, and stock-based compensation related to issuance of restricted stock awards of approximately \$2.2 million. Changes in operating assets and liabilities were reflected by increases in accounts receivable of approximately \$34,000, unbilled revenue of approximately \$41,000, inventory of approximately \$267,000, lease liabilities of approximately \$101,000, contract liabilities of \$350, and offset by increases in prepaid and other current assets of approximately \$101,000, VAT receivable of approximately \$59,000, provision for income taxes of approximately \$37,000, and accounts payable and accrued expenses of approximately \$455,000.

Net cash flows used in operating activities for the year ended December 31, 2021 amounted to approximately \$4.1 million and were attributable to our net loss of approximately \$8.1 million and gain from debt extinguishment of approximately \$21,000, offset by depreciation and amortization expense of approximately \$317,000, right of use asset of approximately \$33,000, amortization of intangible asset of approximately \$25,000, amortization of debt discount of convertible debt of approximately \$1.4 million, stock-based compensation related to the fair value of options granted of approximately \$1.3 million and stock-based compensation related to issuance of restricted stock awards of approximately \$2.5 million. Changes in operating assets and liabilities were reflected by increases in accounts receivable of approximately \$173,000, unbilled revenue of approximately \$25,000, inventory of approximately \$658,000, prepaid and other current assets of approximately \$166,000, VAT receivable of approximately \$491,000, and lease liabilities of approximately \$33,000, and offset by increases in accounts payable and accrued expenses of approximately \$11,000, provision for income taxes of approximately \$38,000, and contract liabilities of \$61.

## **Investing Activities**

Net cash flows used in investing activities were approximately \$7.7 million and \$229,000 for the years ended December 31, 2022, and 2021, respectively. For the year ended December 31, 2022, we purchased equipment, capitalized software and website development for approximately \$716,000. On September 2, 2022, we purchased an equity method investment of \$7,000,000, see Note 7. For the year ended December 31, 2021, we purchased equipment, capitalized software and website development for approximately \$229,000.

## **Financing Activities**

Net cash flows provided by financing activities were approximately \$13.0 million and \$20.8 million for the years ended December 31, 2022, and 2021, respectively. During the year ended December 31, 2022, we had net proceeds from the January 2022 Offering of approximately \$5.6 million, and the December 2022 Offering of approximately \$7.5 million, which was offset by repayments from; coronavirus loan of approximately \$60,000 and repayments to related party payable of approximately \$7,000. During the year ended December 31, 2021, we had proceeds from convertible notes payable of \$350,000, the June 2021 Offering of approximately \$14.1 million, warrant exercise of approximately \$4.6 million, and over-allotments of common stock and warrants of approximately \$2.0 million, proceeds from options exercise of \$5,000, which was offset by repayments from notes payable for approximately \$122,000, coronavirus loan of approximately \$28,000 and repayments to related party payable of approximately \$67,000.

## **Recent Financing Activities**

### ***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.

#### ***December 2022 Private Placement of Common Stock***

On December 9, 2022, the Company entered into a securities purchase agreement with certain institutional and accredited investors for the sale by the Company in a private placement of 4,575,429 units, each unit comprising (i) one share of the Company's common stock, and (ii) one warrant to purchase one share of common stock. The offering price of the units was \$1.75 per unit. The warrants included in the units are exercisable at a price of \$1.75 per share and expire three years from the date of issuance.

The offering closed on December 14, 2022, and the Company received gross proceeds of approximately \$8.0 million for the units. The Company intends to use the proceeds from the offering for working capital needs, potential acquisitions, joint ventures, and ongoing business transition activities.

In connection with the offering, the Company entered into a registration rights agreement, pursuant to which, among other things, the Company will prepare and file with the Securities and Exchange Commission (the "SEC") a registration statement to register for resale the shares of Common Stock sold in the offering and the shares of Common Stock underlying the Warrants, within 15 calendar days and to use its best efforts to have the registration statement declared effective as promptly as practical thereafter.

The securities 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 securities 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.

#### ***Investment in Progressive Care Inc.***

On September 2, 2022, we closed a transaction with Progressive, pursuant to which we purchased 3,000 newly issued units of securities from Progressive (the "Units") at a price per Unit of \$2,000 for an aggregate purchase price of \$6.0 million (the "Unit Purchase"). Each Unit consists of one share of Series B Convertible Preferred Stock of Progressive ("Series B Preferred Stock") and one warrant to purchase a share of Series B Preferred Stock ("RXMD Warrants").

Each share of Series B Preferred Stock votes as a class with the common stock of Progressive and has 500 votes per share. Likewise, each share of Series B Preferred Stock is convertible into 500 shares of Progressive common stock. In addition, the Series B Preferred Stock has a liquidation and dividend preference. The RXMD Warrants have a five-year term, and are immediately exercisable, in whole or in part, and contain cashless exercise provisions. Each Warrant is exercisable at \$2,000 per share of Series B Preferred Stock.

Following the consummation of the Unit Purchase, our Chairman and Chief Executive Officer, Charles M. Fernandez, and our board member, Rodney Barreto, were appointed to Progressive's Board of Directors, with Mr. Fernandez appointed to serve as Chairman of Progressive's Board of Directors and Mr. Barreto appointed to serve as a Vice Chairman of Progressive's Board of Directors. On November 11, 2022, the Progressive Board of Directors elected Mr. Fernandez to serve as the Progressive's Chief Executive Officer.

In addition, on September 2, 2022, NextPlat, Charles Fernandez, Rodney Barreto and certain other purchasers purchased from Iliad Research and Trading, L.P. ("Iliad") a Secured Convertible Promissory Note, dated March 6, 2019, made by Progressive to Iliad (the "Note"). The accrued and unpaid principal and interest under the note at the time of the purchase was approximately \$2.79 million. The aggregate purchase price paid to Iliad for the Note was \$2.3 Million of which NextPlat contributed \$1.0 million and Messrs. Fernandez and Barreto contributed \$400,000 each (the "Note Purchase").

In connection with the Note Purchase, NextPlat, Messrs. Fernandez and Barreto and the other purchasers of the Note entered into a Debt Modification Agreement with Progressive. Pursuant to the Debt Modification Agreement, the interest rate under the Note was reduced from 10% to 5% per annum and the maturity date was extended to May 31, 2027. In addition, the conversion price under the note was changed to \$0.02 per share of Common Stock. Pursuant to the Debt Modification Agreement, NextPlat, Messrs. Fernandez and Barreto and the other purchasers of the Note have the right, exercisable at any time, to redeem all or any portion of the Note. The Debt Modification Agreement also provides that the Note will automatically convert upon the later to occur of: (a) the completion by Progressive Care of a reverse stock split, and (b) the listing of Progressive's common stock on a national exchange. In consideration of the concessions in the Debt Modification Agreement, Progressive issued 105,000 shares of its common stock to the purchasers of the Note, of which NextPlat, Charles Fernandez and Rodney Barreto, received 45,653, 18,261, and 18,261 shares, respectively, in each case after giving effect to a 1-for-200 reverse stock split enacted by Progressive Care on December 30, 2022.

#### **Off-balance Sheet Arrangements**

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered any derivative contracts that are indexed to our shares and classified as stockholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity.

#### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk.**

Consistent with the rules applicable to "Smaller Reporting Companies" we have omitted information required by this Item.

#### **Item 8. Financial Statements and Supplementary Data.**

Consolidated Financial Statements and supplementary data, together with the report of RBSM LLP, independent registered public accounting firm, are included in Part IV (see pages F-1 through F-33) of this Annual Report on Form 10-K.

#### **Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.**

Not applicable.

## **Item 9A. Controls and Procedures.**

### **Management's Conclusions Regarding Effectiveness of Disclosure Controls and Procedures**

#### **Evaluation of disclosure controls and procedures.**

Based on management's evaluation (with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO)), as of the end of the period covered by this report, our CEO and CFO have concluded that our disclosure controls and procedures (as defined in Rules 13a-15I and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

#### **Inherent Limitations on Controls.**

Management, including the CEO and CFO, does not expect that our disclosure controls and procedures will prevent or detect all errors and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to errors or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

#### **Management's Report on Internal Control over Financial Reporting.**

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 Securities Exchange Act of 1934. Our internal control over financial reporting includes policies and procedures that: (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of assets; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements. Our internal control over financial reporting is a process designed with the participation of our principal executive officer and principal financial officer or persons performing similar functions to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. 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). Based on this assessment our management believes that, as of December 31, 2022, our internal control over financial reporting is effective under those criteria.

#### **Changes in internal control over financial reporting.**

There has been no change in our internal control over financial reporting during our fourth fiscal quarter ended December 31, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules from the SEC that permit us to provide only management's report in this annual report.



**Item 9B. Other Information.**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

**PART III.**

**Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by this Item will be included in the Company's definitive proxy statement to be filed with the SEC within 120 days after December 31, 2022, in connection with the solicitation of proxies for the Company's 2023 annual meeting of shareholders (the "2023 Proxy Statement") and is incorporated herein by reference.

Our directors are appointed for a one-year term to hold office until the next annual general meeting of our shareholders or until their earlier resignation or removal from office in accordance with our bylaws. The Board of Directors shall not appoint any new members or vote to increase its size in the absence of the written consent of Mr. Phipps. The Board of Directors appoints officers who serve their terms of office at the discretion of the Board of Directors.

No director is related to any other director or executive officer of our Company or our subsidiaries, and there are no arrangements or understandings between a director and any other person pursuant to which such person was elected as director.

**Item 11. Executive Compensation**

The information required by this Item will be included in the 2023 Proxy Statement and is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information required by this Item will be included in the 2023 Proxy Statement and is incorporated herein by reference.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this Item will be included in the 2023 Proxy Statement and is incorporated herein by reference.

**Item 14. Principal Accountant Fees and Services.**

The information required by this Item will be included in the 2023 Proxy Statement and is incorporated herein by reference.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules.**

- (a) Documents filed as part of this report.
  - (1) Financial Statements. See Index to Consolidated Financial Statements, which appears on page F-1 hereof. The financial statements listed in the accompanying Index to Consolidated Financial Statements are filed herewith in response to this Item.
  - (2) Financial Statements Schedules. None.

(3) Exhibits

<b>Exhibit No.</b>	<b>Description</b>
1.1	<a href="#"><u>Placement Agency Agreement dated December 9, 2022, by and between the Company and Dawson James Securities, Inc. (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the Commission on December 13, 2022).</u></a>
3.1	<a href="#"><u>Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.2 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2014).</u></a>
3.2	<a href="#"><u>Certificate of Amendment to Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.3 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2014).</u></a>
3.3	<a href="#"><u>Certificate of Amendment to Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on March 8, 2016).</u></a>
3.4	<a href="#"><u>Certificate of Change to the Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.7 to the Company's Current Report on Form 8-K filed with the SEC on May 28, 2021).</u></a>
3.5	<a href="#"><u>Certificate of Amendment of the Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on January 20, 2022).</u></a>
3.6	<a href="#"><u>Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on January 20, 2022).</u></a>
4.1*	<a href="#"><u>Description of NextPlat Corp's Securities Registered Under Section 12 of the Exchange Act. (Incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K filed with the SEC on March 31, 2022).</u></a>
4.2	<a href="#"><u>Form of Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1/A filed with the SEC on April 7, 2021).</u></a>
4.3	<a href="#"><u>Form of Warrant Agent Agreement (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1/A filed with the SEC on April 7, 2021).</u></a>
4.4	<a href="#"><u>Form of Underwriter's Warrant (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-1/A filed with the SEC on April 7, 2021).</u></a>
4.5	<a href="#"><u>Form of Warrant Agreement issued in offering (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on December 13, 2022)</u></a>
4.6	<a href="#"><u>Form of Placement Agent Warrant Agreement issued in offering (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on December 13, 2022)</u></a>
10.1	<a href="#"><u>Form 7% Convertible Promissory Note (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on March 11, 2021).</u></a>
10.2	<a href="#"><u>Form Note Purchase Agreement (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on March 11, 2021).</u></a>
10.3 <sup>+</sup>	<a href="#"><u>David Phipps Employment Agreement (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on March 11, 2021).</u></a>
10.4 <sup>+</sup>	<a href="#"><u>Thomas Seifert Employment Agreement (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on March 11, 2021).</u></a>
10.5 <sup>+</sup>	<a href="#"><u>2020 Equity Incentive Plan (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on December 31, 2021).</u></a>
10.6	<a href="#"><u>Form Note Purchase Agreement (Incorporated by reference from the Current Report on Form 8-K filed with the SEC on December 4, 2020).</u></a>
10.7	

[Form 6% Convertible Promissory Note \(Incorporated by reference from the Current Report on Form 8-K filed with the SEC on December 4, 2020\).](#)

10.8 [Debenture by and among Global Telesat Communications LTD and HSBC UK BANK PLC, dated July 16, 2020 \(Incorporated by reference from the Company's Current Report on Form 8-K filed on July 21, 2020\).](#)

10.9 [Coronavirus Business Interruption Loan Agreement by and among Global Telesat Communications LTD and HSBC UK BANK PLC, dated July 16, 2020 \(Incorporated by reference from the Company's Current Report on Form 8-K filed on July 21, 2020\).](#)

10.10 [Note Purchase Agreement by and among the Company and the lenders set forth on the lender schedule to the Note Purchase Agreement dated August 21, 2020 \(incorporated by reference from the Current Report on Form 8-K filed with the SEC on August 27, 2020\).](#)

<b>Exhibit No.</b>	<b>Description</b>
10.11	<a href="#"><u>Form of Option Agreement (Incorporated by reference to Form 10-K, filed with the Securities and Exchange Commission on March 29, 2019)</u></a>
10.12	<a href="#"><u>Convertible Promissory Note by and between Orbital Tracking Corp. and Power Up Ltd., dated January 14, 2019. (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 17, 2019).</u></a>
10.13	<a href="#"><u>Form of Share Note Exchange Agreement by and between Orbital Tracking Corp and certain holders of the Company's preferred stock. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2019).</u></a>
10.14	<a href="#"><u>Form of 6% Promissory Note dated April 30, 2019, by and between Orbital Tracking Corp and certain holders of the Company's preferred stock. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2019).</u></a>
10.15	<a href="#"><u>Note Purchase Agreement by and among the Company and the lenders set forth on the lender schedule to the Note Purchase Agreement dated May 13, 2019. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 15, 2019).</u></a>
10.16	<a href="#"><u>Amendment to Note Purchase Agreement by and among the Company and the lenders set forth on the lender schedule to the Note Purchase Agreement dated May 13, 2019. (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 15, 2019).</u></a>
10.17	<a href="#"><u>Form 7% Convertible Promissory Note (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 11, 2021).</u></a>
10.18	<a href="#"><u>Form Note Purchase Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on March 11, 2021).</u></a>
10.19 <sup>+</sup>	<a href="#"><u>David Phipps Employment Agreement (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on March 11, 2021).</u></a>
10.20 <sup>+</sup>	<a href="#"><u>Thomas Seifert Employment Agreement (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on March 11, 2021).</u></a>
10.21 <sup>+</sup>	<a href="#"><u>Form Fernandez Restricted Stock Agreement (incorporated by reference to Exhibit 10.19 to Amendment No.4 to the Company's registration statement on Form S-1 filed with the SEC on May 25, 2021, File No. 333-253027).</u></a>
10.22 <sup>+</sup>	<a href="#"><u>Fernandez Employment Agreement, dated May 23, 2021 (incorporated by reference to Exhibit 10.20 to Amendment No.4 to the Company's Registration Statement on Form S-1 filed with the SEC on May 25, 2021, File No. 333-253027).</u></a>
10.23 <sup>+</sup>	<a href="#"><u>Fernandez Employment Agreement, dated June 2, 2021 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report filed with the SEC on August 17, 2021).</u></a>
10.24 <sup>+</sup>	<a href="#"><u>Form of Director Offer Letter (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1/A filed with the SEC on April 7, 2021).</u></a>
10.25	<a href="#"><u>Form of Maxim Lockup Agreement (incorporated by reference to Exhibit A to Underwriting Agreement filed as Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the SEC on May 28, 2021).</u></a>
10.26 <sup>+</sup>	<a href="#"><u>Hector Delgado Independent Director Agreement (incorporated by reference to Exhibit 10.21 to the Company's Current Report on Form 8-K filed with the SEC on June 7, 2021).</u></a>
10.27 <sup>+</sup>	<a href="#"><u>Louis Cusimano Independent Director Agreement (incorporated by reference to Exhibit 10.22 to the Company's Current Report on Form 8-K filed with the SEC on June 7, 2021).</u></a>
10.28 <sup>+</sup>	<a href="#"><u>John E. Miller Independent Director Agreement (incorporated by reference to Exhibit 10.23 to the Company's Current Report on Form 8-K filed with the SEC on June 7, 2021).</u></a>
10.29 <sup>+</sup>	<a href="#"><u>Kendall W. Carpenter Independent Director Agreement (incorporated by reference to Exhibit 10.24 to the Company's Current Report on Form 8-K filed with the SEC on June 7, 2021).</u></a>



<b>Exhibit No.</b>	<b>Description</b>
10.30 <sup>+</sup>	<a href="#"><u>David Phipps Employment Agreement (incorporated by reference to Exhibit 10.25 to the Company's Current Report on Form 8-K filed with the SEC on June 7, 2021).</u></a>
10.31 <sup>+</sup>	<a href="#"><u>Thomas Seifert Employment Agreement (incorporated by reference to Exhibit 10.26 to the Company's Current Report on Form 8-K filed with the SEC on June 7, 2021).</u></a>
10.32 <sup>+</sup>	<a href="#"><u>Sarwar Uddin Employment Agreement (incorporated by reference to Exhibit 10.27 to the Company's Current Report on Form 8-K filed with the SEC on June 23, 2021).</u></a>
10.33 <sup>+</sup>	<a href="#"><u>Theresa Carlise Employment Agreement (incorporated by reference to Exhibit 10.28 to the Company's Current Report on Form 8-K filed with the SEC on June 23, 2021).</u></a>
10.34	<a href="#"><u>Alibaba.com Supplemental Services Agreement (incorporated by reference to Exhibit 10.29 to the Company's Current Report on Form 8-K filed with the SEC on July 13, 2021).</u></a>
10.35	<a href="#"><u>Alibaba.com Transaction Services Agreement (incorporated by reference to Exhibit 10.30 to the Company's Current Report on Form 8-K filed with the SEC on July 13, 2021).</u></a>
10.36	<a href="#"><u>Alibaba.com Terms of Use (incorporated by reference to Exhibit 10.31 to the Company's Current Report on Form 8-K filed with the SEC on July 13, 2021).</u></a>
10.37 <sup>+</sup>	<a href="#"><u>Amendment No. 1 Employment Agreement, dated August 7, 2021, by and between Orbsat Corp and Charles M. Fernandez (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 12, 2021).</u></a>
10.38 <sup>+</sup>	<a href="#"><u>Amendment No. 1 Employment Agreement, dated August 7, 2021, by and between Orbsat Corp and David Phipps (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on August 12, 2021).</u></a>
10.39 <sup>+</sup>	<a href="#"><u>Amendment No. 1 Employment Agreement, dated August 7, 2021, by and between Orbsat Corp and Sarwar Uddin (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on August 12, 2021).</u></a>
10.40 <sup>+</sup>	<a href="#"><u>Amendment No. 1 Employment Agreement, dated August 7, 2021, by and between Orbsat Corp and Theresa Carlise (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on August 12, 2021).</u></a>
10.41 <sup>+</sup>	<a href="#"><u>Employment Agreement, dated August 24, 2021, by and between Orbsat Corp and Douglas S. Ellenoff (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the SEC on January 27, 2022).</u></a>
10.42 <sup>+</sup>	<a href="#"><u>Employment Agreement, dated August 24, 2021, by and between Orbsat Corp and Paul R. Thomson (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on August 30, 2021).</u></a>
10.43 <sup>+</sup>	<a href="#"><u>Stock Option Agreement, dated August 24, 2021, by and between Orbsat Corp and Douglas Ellenoff (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report filed with the SEC on November 15, 2021).</u></a>

<b>Exhibit No.</b>	<b>Description</b>
10.44 <sup>+</sup>	<a href="#"><u>Restricted Stock Award Agreement, dated August 24, 2021, by and between Orbsat Corp and Douglas Ellenoff (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report filed with the SEC on November 15, 2021).</u></a>
10.45 <sup>+</sup>	<a href="#"><u>Stock Option Agreement, dated August 24, 2021, by and between Orbsat Corp and Paul R. Thomson (incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report filed with the SEC on November 15, 2021).</u></a>
10.46 <sup>+</sup>	<a href="#"><u>Restricted Stock Award Agreement, dated August 24, 2021, by and between Orbsat Corp and Paul R. Thomson (incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report filed with the SEC on November 15, 2021).</u></a>
10.47 <sup>+</sup>	<a href="#"><u>Amended and Restated 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on October 1, 2021).</u></a>
10.48 <sup>+</sup>	<a href="#"><u>Amendment No. 1 Employment Agreement, dated October 8, 2021, by and between Orbsat Corp and Paul R. Thomson (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 8, 2021).</u></a>
10.49 <sup>+</sup>	<a href="#"><u>Employment Agreement, dated October 8, 2021, by and between Orbsat Corp and Andrew Cohen (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on October 8, 2021).</u></a>
10.50 <sup>+</sup>	<a href="#"><u>Restricted Stock Award Agreement, dated October 8, 2021, by and between Orbsat Corp and Andrew Cohen (incorporated by reference to Exhibit 10.50 to the Company's Current Report on Form 10-K filed with the SEC on March 31, 2022).</u></a>
10.51 <sup>+</sup>	<a href="#"><u>Stock Option Agreement, dated October 8, 2021, by and between Orbsat Corp and Andrew Cohen (incorporated by reference to Exhibit 10.51 to the Company's Current Report on Form 10-K filed with the SEC on March 31, 2022).</u></a>
10.52 <sup>+</sup>	<a href="#"><u>Amendment No. 2 Employment Agreement, dated October 8, 2021, by and between Orbsat Corp and Theresa Carlise (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on October 8, 2021).</u></a>
10.53 <sup>+</sup>	<a href="#"><u>Director Services Agreement, dated January 11, 2022, between Orbsat Corp and Rodney Barreto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 11, 2022).</u></a>
10.54	<a href="#"><u>Form of Securities Purchase Agreement dated as of December 31, 2021, by and among Orbsat Corp and the Investors (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 5, 2022).</u></a>
10.55	<a href="#"><u>Form of Registration Rights Agreement dated as of December 31, 2021, by and among Orbsat Corp and the Investors (incorporated by reference to Exhibit A of Exhibit 10.54 to this Annual Report on Form 10-K).</u></a>
10.56 <sup>+</sup>	<a href="#"><u>Orbsat Corp Amended and Restated 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 22, 2021).</u></a>
10.57 <sup>+</sup>	<a href="#"><u>Orbsat Corp 2021 Incentive Award Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on December 22, 2021).</u></a>
10.58 <sup>+</sup>	<a href="#"><u>Employment Agreement, dated October 8, 2021, by and between Orbsat Corp and Andrew Cohen. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on October 8, 2021).</u></a>
10.59 <sup>+</sup>	<a href="#"><u>Amendment No. 1 Employment Agreement, dated October 8, 2021, by and between Orbsat Corp and Paul R. Thomson (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 8, 2021).</u></a>
10.60 <sup>+</sup>	<a href="#"><u>Amendment No. 2 Employment Agreement, dated October 8, 2021, by and between Orbsat Corp and Theresa Carlise. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on October 8, 2021).</u></a>

<b>Exhibit No.</b>	<b>Description</b>
10.61 <sup>+</sup>	<a href="#"><u>Form of Indemnity Agreement, by and between Orbsat Corp and Douglas Ellenoff entered into on November 18, 2021 (incorporated by reference to Exhibit B of Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the SEC on January 27, 2022).</u></a>
10.62 <sup>+</sup>	<a href="#"><u>Form of Registration Rights Agreement by and between Orbsat Corp and Douglas Ellenoff entered into on November 18, 2021 (incorporated by reference to Exhibit A of Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the SEC on January 27, 2022).</u></a>
10.63 <sup>+</sup>	<a href="#"><u>Restricted Stock Award Agreement, dated December 18, 2021, by and between Orbsat Corp and Charles M. Fernandez (275,000 shares of restricted stock) (incorporated by reference to Exhibit 10.63 to the Company's Current Report on Form 10-K filed with the SEC on March 31, 2022).</u></a>
10.64 <sup>+</sup>	<a href="#"><u>Restricted Stock Award Agreement, dated December 18, 2021, by and between Orbsat Corp and Charles M. Fernandez (101,000 shares of restricted stock) (incorporated by reference to Exhibit 10.64 to the Company's Current Report on Form 10-K filed with the SEC on March 31, 2022).</u></a>
10.65 <sup>+</sup>	<a href="#"><u>Restricted Stock Award Agreement, dated December 18, 2021, by and between Orbsat Corp and David Phipps (incorporated by reference to Exhibit 10.65 to the Company's Current Report on Form 10-K filed with the SEC on March 31, 2022).</u></a>
10.66 <sup>+</sup>	<a href="#"><u>Form of Restricted Stock Award Agreement between the Company and each of Paul R Thomson (10,000 shares) and Theresa Carlise (15,000 shares), entered into in December 2021 (incorporated by reference to Exhibit 10.66 to the Company's Current Report on Form 10-K filed with the SEC on March 31, 2022).</u></a>
10.67 <sup>+</sup>	<a href="#"><u>Form of Restricted Stock Award Agreement between the Company and each of Kendall Carpenter, Louis Cusimano, Hector Delgado and John E. Miller, entered into in December 2021 (incorporated by reference to Exhibit 10.67 to the Company's Current Report on Form 10-K filed with the SEC on March 31, 2022).</u></a>
10.68 <sup>+</sup>	<a href="#"><u>Form of Stock Option Grant Notice and Agreement between Orbsat Corp and each of Charles M. Fernandez (75,000 shares), Paul R Thomson (10,000 shares) and Theresa Carlise (15,000 shares), entered into in December 2021 (incorporated by reference to Exhibit 10.68 to the Company's Current Report on Form 10-K filed with the SEC on March 31, 2022).</u></a>
10.69 <sup>+</sup>	<a href="#"><u>Restricted Stock Award Agreement, dated December 20, 2021, by and between Orbsat Corp and Rodney Barreto (incorporated by reference to Exhibit 10.69 to the Company's Current Report on Form 10-K filed with the SEC on March 31, 2022).</u></a>
10.70 <sup>+</sup>	<a href="#"><u>Amendment No. 1 Employment Agreement, dated May 2, 2022, by and between NextPlat Corp and Andrew Cohen (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 15, 2022).</u></a>
10.71 <sup>+</sup>	<a href="#"><u>Stock Option Agreement, dated July 1, 2022, by and between NextPlat Corp and Charles M. Fernandez (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 15, 2022).</u></a>
10.72 <sup>+</sup>	<a href="#"><u>Restricted Stock Agreement, dated July 22, 2022, by and between NextPlat Corp and Charles M. Fernandez (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 15, 2022).</u></a>
10.73	<a href="#"><u>Securities Purchase Agreement, dated August 30, 2022, by and between NextPlat and Progressive Care Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 1, 2022).</u></a>
10.74	<a href="#"><u>Confidential Note Purchase and Release Agreement, dated August 30, 2022, by and between the Company, Progressive Care, Iliad Research and Trading, L.P., PharmCo, L.L.C., Charles Fernandez, Rodney Barreto, Daniyel Erdberg, and Sixth Borough Capital LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 1, 2022).</u></a>
10.75	<a href="#"><u>Debt Modification Agreement dated August 30, 2022, by and between the Company, Progressive Care, Charles Fernandez, Rodney Barreto, Daniyel Erdberg, and Sixth Borough Capital LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 1, 2022).</u></a>





<b>Exhibit No.</b>	<b>Description</b>
10.76 <sup>+</sup>	<a href="#"><u>Director Services Agreement dated as of September 28, 2022, by and between the Company and M. Cristina Fernandez (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed with the SEC on October 5, 2022).</u></a>
10.77 <sup>+</sup>	<a href="#"><u>Stock Option Agreement, dated as of October 1, 2022, by and between the Company and M. Cristina Fernandez (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K/A filed with the SEC on October 5, 2022).</u></a>
10.78	<a href="#"><u>Securities Purchase Agreement dated November 16, 2022, by and between NextPlat and Progressive Care Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 18, 2022).</u></a>
10.79	<a href="#"><u>Form of Debenture (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on November 18, 2022).</u></a>
10.80	<a href="#"><u>Security Agreement, dated as of November 16, 2022, by Progressive Care, Inc., Touchpoint RX, LLC, Family Physicians RX, Inc., and ClearMetrX Inc. in favor of NextPlat Corp (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on November 18, 2022).</u></a>
10.81	<a href="#"><u>Form of Registration Rights Agreement (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on November 18, 2022).</u></a>
10.82	<a href="#"><u>Employment Agreement, dated as of November 7, 2022, by and between the Company and Robert Bedwell (incorporated by reference to Exhibit 10.6 the Company's Quarterly Report on Form 10-Q filed with the SEC on November 14, 2022).</u></a>
10.83	<a href="#"><u>Employment Agreement, dated as of November 14, 2022, by and between the Company and Paul Thomson (incorporated by reference to Exhibit 10.7 the Company's Quarterly Report on Form 10-Q filed with the SEC on November 14, 2022).</u></a>
10.84	<a href="#"><u>Employment Agreement, dated as of November 14, 2022, by and between the Company and Cecile Munnik (incorporated by reference to Exhibit 10.8 the Company's Quarterly Report on Form 10-Q filed with the SEC on November 14, 2022).</u></a>
10.85 <sup>+</sup>	<a href="#"><u>Stock Option Agreement dated December 5, 2022, and effective as of November 7, 2022, by and between the Company and Robert Bedwell (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K Filed on December 5, 2022).</u></a>
10.86 <sup>+</sup>	<a href="#"><u>Stock Option Agreement dated December 5, 2022, and effective as of November 14, 2022, by and between the Company and Cecile Munnik (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K Filed on December 5, 2022).</u></a>
10.87	<a href="#"><u>Form of Securities Purchase Agreement dated December 9, 2022, by and among the Company and the Investors (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on December 13, 2022).</u></a>
10.88	<a href="#"><u>Form of Registration Rights Agreement dated December 9, 2022, by and among the Company and the Investors (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on December 13, 2022).</u></a>
21.1 <sup>*</sup>	<a href="#"><u>Subsidiaries of NextPlat Corp</u></a>
23.1 <sup>*</sup>	<a href="#"><u>Consent of RBSM LLP</u></a>
31.1 <sup>*</sup>	<a href="#"><u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
31.2 <sup>*</sup>	<a href="#"><u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
32.1 <sup>*</sup>	<a href="#"><u>Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>

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)

(1) Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however that the Company may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any schedule or exhibit so furnished.

\* Filed herewith.

+ Management contract or compensatory plan or arrangement.

**Item 16. Form 10-K Summary**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 31, 2023

### NEXTPLAT CORP

By: /s/ Charles M. Fernandez

Charles M. Fernandez  
Title: Executive Chairman and Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Cecile Munnik

Cecile Munnik  
Title: Chief Financial Officer, (Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following person on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Charles M. Fernandez</u> Charles M. Fernandez	Chief Executive Officer and Executive Chairman (Principal Executive Officer)	March 31, 2023
<u>/s/ Cecile Munnik</u> Cecile Munnik	Chief Financial Officer (Principal Financial Officer)	March 31, 2023
<u>/s/ David Phipps</u> David Phipps	President and Chief Executive Officer of Global Operations	March 31, 2023
<u>/s/ Paul R Thomson</u> Paul R Thomson	Senior Vice President – Mergers, Acquisitions and Special Projects	March 31, 2023
<u>/s/ Theresa Carlise</u> Theresa Carlise	Chief Accounting Officer, Secretary and Treasurer (Principal Accounting Officer)	March 31, 2023
<u>/s/ Robert Bedwell</u> Robert Bedwell	Chief Compliance Officer	March 31, 2023
<u>/s/ Douglas S. Ellenoff</u> Douglas Ellenoff	Vice Chairman and Chief Business Development Strategist	March 31, 2023
<u>/s/ Hector Delgado</u> Hector Delgado	Director	March 31, 2023
<u>/s/ Kendall W. Carpenter</u> Kendall Carpenter	Director	March 31, 2023
<u>/s/ Louis Cusimano</u> Louis Cusimano	Director	March 31, 2023
<u>/s/ John E. Miller</u> John E. Miller	Director	March 31, 2023
<u>/s/ Rodney Barreto</u> Rodney Barreto	Director	March 31, 2023
<u>/s/ Maria Cristina Fernandez</u> Maria Cristina Fernandez	Director	March 31, 2023



**NEXTPLAT CORP AND SUBSIDIARIES**

<a href="#">Report of Independent Registered Public Accounting Firm RBSM LLP, New York, NY, (PCAOB ID. 587)</a>	F-2
<b>Consolidated Financial Statements</b>	
<a href="#">Consolidated Balance Sheets as of December 31, 2022 and 2021</a>	F-4
<a href="#">Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2022 and 2021</a>	F-5
<a href="#">Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2022 and 2021</a>	F-6
<a href="#">Consolidated Statements of Cash Flows for the Years Ended December 31, 2022 and 2021</a>	F-8
<a href="#">Notes to Consolidated Financial Statements</a>	F-9

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
NextPlat Corp and Subsidiaries

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of NextPlat Corp and Subsidiaries (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive loss, stockholders’ equity and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### Equity Method Investment – Refer to Notes 7 to the consolidated financial statements

#### *Critical Audit Matter Description*

As described in Note 7, on August 30, 2022 the Company entered into a Securities Purchase Agreement (the “SPA”) with Progressive Care, Inc. (“Progressive”), which subsequently closed on September 2, 2022.

As a result of the SPA and related transactions, the Company paid an aggregate of \$7,000,000 for an economic and voting interest in Progressive of 32.47%.

Subsequent to September 2, 2022, the Company's ownership interest decreased to 31.89% and as of December 31, 2022, the board seats, combined with the Company's ownership interest of 33.47% provide the Company with significant influence over Progressive, but not a controlling interest. Since Progressive does not depend on the Company for continuing financial support to maintain operations as of December 31, 2022, the Company has determined that Progressive is not a variable interest entity, and therefore, the Company is not required to determine the primary beneficiary of Progressive for potential consolidation.

*How the Critical Audit Matter Was Addressed in the Audit*

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements.

- These procedures included, among others, (i) testing management's process for determining the accounting treatment of the investment; (ii) and testing the completeness and accuracy of the underlying data used to record the investment and recognize a gain or loss on the investment.
- Evaluating, testing and relying on Progressive's financial data from the date of the investment to December 31, 2022.
- Professionals with specialized skill and knowledge were used to assist in evaluating the appropriate accounting treatment of the investment.

/s/ **RBSM LLP**

We have served as the Company's auditor since 2014.

New York, NY  
March 31, 2023  
PCAOB ID Number 587



**NEXTPLAT CORP AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 18,891,232	\$ 17,267,978
Accounts receivable, net	383,786	349,836
Inventory	1,286,612	1,019,696
Unbilled revenue	141,702	100,422
VAT receivable	432,769	491,417
Prepaid expenses – current portion	45,679	97,068
Other current assets	-	48,539
<b>Total Current Assets</b>	<b>21,181,780</b>	<b>19,374,956</b>
Property and equipment, net	1,245,802	1,042,859
Right of use assets, net	854,862	22,643
Intangible assets, net	50,001	75,000
Equity method investment	5,260,525	-
Prepaid expenses – long term portion	49,078	49,867
<b>Total Other Assets</b>	<b>6,214,466</b>	<b>147,510</b>
<b>Total Assets</b>	<b>\$ 28,642,048</b>	<b>\$ 20,565,325</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,518,095	\$ 1,063,344
Contract liabilities	36,415	36,765
Note payable Coronavirus loans– current portion	60,490	56,391
Due to related party	28,467	35,308
Operating lease liabilities - current	208,660	19,763
Income taxes payable	94,244	56,781
Stock subscription payable	-	1,400,000
Liabilities from discontinued operations	112,397	112,397
<b>Total Current Liabilities</b>	<b>2,058,768</b>	<b>2,780,749</b>
<b>Long Term Liabilities:</b>		
Notes payable Coronavirus – long term	156,266	253,757
Operating lease liabilities – long term	649,895	-
<b>Total Liabilities</b>	<b>2,864,929</b>	<b>3,034,506</b>
Commitments and Contingencies	-	-
<b>Stockholders' Equity</b>		
Preferred stock, (\$0.0001 par value; 3,333,333 shares authorized)	-	-
Common stock, (\$0.0001 par value; 50,000,000 shares authorized, 14,402,025 and 7,053,146 shares issued and outstanding as of December 31, 2022, and 2021, respectively)	1,440	705
Additional paid-in capital	56,963,200	39,513,093
Accumulated deficit	(31,146,804)	(21,986,215)
Accumulated other comprehensive (loss) income	(40,717)	3,236
<b>Total Stockholders' Equity</b>	<b>25,777,119</b>	<b>17,530,819</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 28,642,048</b>	<b>\$ 20,565,325</b>

See accompanying notes to consolidated financial statements.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

	For the Years Ended December 31,	
	2022	2021
Net sales	\$ 11,710,142	\$ 7,739,910
Cost of sales	9,221,294	5,880,187
Gross profit	2,488,848	1,859,723
Operating expenses:		
Selling, general and administrative	5,083,724	5,128,360
Salaries, wages and payroll taxes	2,564,655	1,838,531
Professional fees	1,552,193	1,198,063
Depreciation and amortization	490,059	317,102
Total operating expenses	9,690,631	8,482,056
Loss from operations	(7,201,783)	(6,622,333)
Other (income) expense:		
Interest earned	(20,814)	(6,876)
Interest expense	24,497	1,467,300
Foreign currency exchange rate variance	128,648	45,737
Gain on debt extinguishment	-	(20,832)
Total other expense	132,331	1,485,329
Loss before provision for income taxes	(7,334,114)	(8,107,662)
Provision for income taxes	87,000	-
Loss before equity in net loss of affiliate	(7,421,114)	(8,107,662)
Equity in net loss of affiliate	(1,739,475)	-
Net loss	(9,160,589)	(8,107,662)
Comprehensive loss:		
Foreign currency translation adjustments	(43,953)	46,068
Comprehensive loss	\$ (9,204,542)	\$ (8,061,594)
<b>NET LOSS ATTRIBUTABLE TO STOCKHOLDERS</b>		
Weighted average number of common shares outstanding – basic & diluted	9,629,589	4,080,833
Basic and diluted net (loss) per share	\$ (0.95)	\$ (1.98)

See accompanying notes to consolidated financial statements.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Common Stock \$0.0001 Par Value		Additional Paid in Capital	Accumulated Deficit
	Shares	Amount		
<b>Balance, January 1, 2021</b>	<b>817,450</b>	<b>\$ 82</b>	<b>\$ 14,486,492</b>	<b>\$ (13,878,553)</b>
Issuance of common stock from convertible debt	1,345,468	135	1,644,132	-
Beneficial conversion feature of convertible debt	-	-	340,420	-
Issuance of common stock for options exercised	17,437	2	4,998	-
Issuance of common stock from exercise of warrant	925,908	92	4,629,448	-
Issuance of common stock related to June offering	2,880,000	288	12,661,696	-
Issuance of common for over-allotment	432,000	43	1,983,226	-
Issuance of warrants for over-allotment	-	-	4,320	-
Stock-based compensation in connection with options granted	-	-	1,277,353	-
Stock-based compensation in connection with restricted stock awards	634,883	63	2,481,008	-
Comprehensive gain	-	-	-	-
Net loss	-	-	-	(8,107,662)
<b>Balance, December 31, 2021</b>	<b>7,053,146</b>	<b>\$ 705</b>	<b>\$ 39,513,093</b>	<b>\$ (21,986,215)</b>
Issuance of common stock related to January offering	2,229,950	223	7,004,815	-
Issuance of common stock related to December offering	4,575,429	458	7,472,112	-
Stock-based compensation in connection with restricted stock awards	543,500	54	2,150,609	-
Stock-based compensation in connection with options granted	-	-	822,571	-
Comprehensive loss	-	-	-	-
Net loss	-	-	-	(9,160,589)
<b>Balance, December 31, 2022</b>	<b>14,402,025</b>	<b>1,440</b>	<b>56,963,200</b>	<b>(31,146,804)</b>

See accompanying notes to consolidated financial statements.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Comprehensive Income (Loss)	Stockholders' Equity
<b>Balance, January 1, 2021</b>	<b>\$ (42,832)</b>	<b>\$ 565,189</b>
Issuance of common stock from convertible debt	-	1,644,267
Beneficial conversion feature of convertible debt	-	340,420
Issuance of common stock for options exercised	-	5,000
Issuance of common stock from exercise of warrant	-	4,629,540
Issuance of common stock related to June offering	-	12,661,984
Issuance of common for over-allotment	-	1,983,269
Issuance of warrants for over-allotment	-	4,320
Stock-based compensation in connection with options granted	-	1,277,353
Stock-based compensation in connection with restricted stock awards	-	2,481,071
Comprehensive gain	46,068	46,068
Net loss	-	(8,107,662)
<b>Balance, December 31, 2021</b>	<b>\$ 3,236</b>	<b>\$ 17,530,819</b>
Issuance of common stock related to January offering	-	7,005,038
Issuance of common stock related to December offering	-	7,472,570
Stock-based compensation in connection with restricted stock awards	-	2,150,663
Stock-based compensation in connection with options granted	-	822,571
Comprehensive loss	(43,953)	(43,953)
Net loss	-	(9,160,589)
<b>Balance, December 31, 2022</b>	<b>\$ (40,717)</b>	<b>\$ 25,777,119</b>

See accompanying notes to consolidated financial statements

**NEXTPLAT CORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Years Ended  
December 31,

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (9,160,589)	\$ (8,107,662)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Depreciation expense	465,059	292,102
Amortization of intangible asset	25,000	25,000
Amortization of right of use asset	105,642	32,963
Write-off of website development cost	43,064	-
Amortization of debt discount, net	-	1,425,365
Share of loss from equity method investment	1,739,475	-
Stock-based compensation in connection with restricted stock awards	2,150,663	2,481,071
Stock-based compensation in connection with options granted	822,571	1,277,353
Gain on debt extinguishment	-	(20,832)
Changes in operating assets and liabilities:		
Accounts receivable	(33,950)	(172,805)
Inventory	(266,916)	(658,274)
Unbilled revenue	(41,280)	(24,866)
Prepaid expense	52,178	(145,151)
VAT receivable	58,648	(491,417)
Other current assets	48,539	(20,627)
Operating lease liabilities	(101,471)	(32,936)
Accounts payable and accrued expenses	454,752	10,741
Provision for income taxes	37,463	37,824
Contract liabilities	(350)	61
Net cash used in operating activities	<u>(3,601,502)</u>	<u>(4,092,090)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(715,591)	(229,307)
Purchase of equity method investment	(7,000,000)	-
Purchase of Netherlands subsidiary	(1)	-
Net cash used in investing activities	<u>(7,715,592)</u>	<u>(229,307)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from (repayments to) related party, net	(6,841)	(66,752)
Proceeds from (repayments to) note payable Coronavirus loans	(60,490)	(28,195)
Proceeds from exercise of options	-	5,000
Proceeds from common stock offering	-	12,661,984
Proceeds from common over-allotment	-	1,983,269
Proceeds from warrants over-allotment	-	4,320
Proceeds from exercise of warrant	-	4,629,539
Gross proceeds from common stock offering January 2022	5,825,038	1,400,000
Gross proceeds from common stock offering December 2022	8,006,900	-
(Payment) of stock issuance costs	(754,331)	-
Proceeds from (repayments to) convertible notes payable	-	350,000
(Repayments to) proceeds from line of credit	-	(121,848)
Net cash provided by financing activities	<u>13,010,276</u>	<u>20,817,317</u>
Effect of exchange rate on cash	(69,928)	43,296
Net increase in cash	1,623,254	16,539,216
Cash beginning of year	17,267,978	728,762
Cash end of year	<u>\$ 18,891,232</u>	<u>\$ 17,267,978</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid during the year for		
Interest	\$ 10,842	\$ 143,234
Income tax	\$ 10,069	\$ 38,615

NON-CASH FINANCING AND INVESTING ACTIVITIES DURING THE YEAR

Beneficial conversion feature on convertible debt	\$	-	\$	340,420
Issuance of common stock from convertible debt	\$	-	\$	1,644,267

See accompanying notes to consolidated financial statements

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation and Principals of Consolidation***

These consolidated financial statements have been prepared by management in accordance with general accepted accounting principles in the United States of America (“U.S. GAAP”) and this basis assumes that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

***Organization and Description of Business***

NextPlat Corp (the “Company”) was formerly Orbsat Corp (“NextPlat”), a Nevada corporation. 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 platforms 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.

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.

Orbital Satcom Corp, 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.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 (the "Board") subsequently approved the 1-for-5 reverse stock split. The Company 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 received a whole share.

On December 16, 2021, at the Annual Meeting of Stockholders (the "Annual Meeting") of the Company the stockholders approved certificate of amendment to the Company's Amended and Restated Articles of Incorporation changing the Company's name to NextPlat Corp. The Name Change Amendment was filed on January 18, 2022, and the Company's name change from Orbsat Corp to NextPlat Corp was effective as of January 21, 2022.

Effective January 21, 2022, the trading symbol for the Company's common stock, par value \$0.0001 per share (the "Common Stock") on the NASDAQ Capital Market will be "NXPL" and the trading symbol for the Company's Warrants (the "Warrants") on the NASDAQ Capital Market will be "NXPLW." The CUSIP number for our Common Stock (68557F209) and our Warrants (68557F118) remain unchanged. Prior to January 21, 2022, our common stock and warrants were traded on the Nasdaq Capital Market under the symbols "OSAT" and "OSATW," respectively.

On June 22, 2022, NextPlat B.V. ("NXPLBV") was formed in Amsterdam, Netherlands, as a wholly owned subsidiary of NextPlat Corp. Presently, NXPLBV does not have any active operations.

On September 2, 2022, the Company closed a transaction with Progressive Care Inc. (OTCQB: RXMD) ("Progressive Care"), pursuant to which we purchased 3,000 newly issued units of securities from Progressive Care (the "Units") at a price per Unit of \$2,000 for an aggregate purchase price of \$6.0 million (the "Unit Purchase"). Each Unit consists of one share of Series B Convertible Preferred Stock of Progressive Care ("Series B Preferred Stock") and one warrant to purchase a share of Series B Preferred Stock ("RXMD Warrants").

Each share of Series B Preferred Stock votes as a class with the common stock of Progressive Care, and has 500 votes per share. Likewise, each share of Series B Preferred Stock is convertible into 500 shares of Progressive Care common stock. In addition, the Series B Preferred Stock has a liquidation and dividend preference. The RXMD Warrants have a five-year term, and are immediately exercisable, in whole or in part, and contain cashless exercise provisions. Each Warrant is exercisable at \$2,000 per share of Series B Preferred Stock.

Following the consummation of the Unit Purchase, our Chairman and Chief Executive Officer, Charles M. Fernandez, and our board member, Rodney Barreto, were appointed to Progressive Care's Board of Directors, with Mr. Fernandez appointed to serve as Chairman of Progressive Care's Board of Directors and Mr. Barreto appointed to serve as a Vice Chairman of Progressive Care's Board of Directors. On November 11, 2022, the Progressive Care board of directors elected Mr. Fernandez to serve as the Chief Executive Officer of Progressive Care.

In addition, on September 2, 2022, NextPlat, Charles Fernandez, Rodney Barreto and certain other purchasers purchased from Iliad Research and Trading, L.P. ("Iliad") a Secured Convertible Promissory Note, dated March 6, 2019, made by Progressive Care to Iliad (the "Note"). The accrued and unpaid principal and interest under the note at the time of the purchase was approximately \$2.8 million. The aggregate purchase price paid to Iliad for the Note was \$2.3 million of which NextPlat contributed \$1.0 million and Messrs. Fernandez and Barreto contributed \$400,000 each (the "Note Purchase").

In connection with the Note Purchase, NextPlat, Messrs. Fernandez and Barreto and the other purchasers of the Note entered into a Debt Modification Agreement with Progressive Care. Pursuant to the Debt Modification Agreement, the interest rate under the Note was reduced from 10% to 5% per annum and the maturity date was extended to May 31, 2027. In addition, the conversion price under the note was changed to \$4.00 per share of Common Stock. Pursuant to the Debt Modification Agreement, NextPlat, Messrs. Fernandez and Barreto and the other purchasers of the Note have the right, exercisable at any time, to redeem all or any portion of the Note. The Debt Modification Agreement also provides that the Note will automatically convert upon the later to occur of: (a) the completion by Progressive Care of a reverse stock split, and (b) the listing of Progressive Care's common stock on a national exchange. In consideration of the concessions in the Debt Modification Agreement, Progressive Care issued 105,000 shares of its common stock to the purchasers of the Note, of which NextPlat, Charles Fernandez and Rodney Barreto, received 45,653, 18,261, and 18,261 shares, respectively, in each case after giving effect to a 1-for-200 reverse stock split enacted by Progressive Care on December 30, 2022.



On November 16, 2022, the Company entered into a Securities Purchase Agreement (the “SPA”) with Progressive Care, pursuant to which the Company has agreed to purchase, from time to time during the three year term of the SPA, up to an aggregate of \$10.0 million of secured convertible debentures from Progressive Care (the “Debentures”). Pursuant to the SPA, all purchases of the Debentures will be made at the Company’s sole election and the proceeds from each purchase will be used by Progressive Care only as approved by the Company’s Board of Directors. Until used, the proceeds from each purchase of Debentures will be deposited in a controlled account. If and when the Company elects to purchase Debentures under the SPA, the minimum principal amount that can be purchased at any time is \$1.0 million. No debentures were purchased under the SPA for the year ended December 31, 2022.

In addition, at the closing of each purchase under the SPA, the Company and Progressive will enter into a Registration Rights Agreement (each, a “Registration Rights Agreement”) pursuant to which Progressive Care will agree to register the shares of Progressive common stock issuable upon conversion in full of the Debentures purchased by the Company at such closing.

In accordance with the form of Debenture to be used for each purchase under the SPA, each Debenture will be convertible at any time, upon the Company’s election, to shares of Progressive Care’s common stock at a conversion price of \$6.0 per share (on a post-split bases and may be further adjusted from time to time for share dividends, share splits, reverse share splits, etc.). In addition, each Debenture will mature on the third anniversary of its issuance and bear interest at 5.0% per annum, payable quarterly. At the Company’s election, interest can be paid in cash, shares of Progressive Care’s common stock, or some combination thereof. Progressive Care has the right to prepay the Debenture at any time provided that it gives the Company seven (7) business days advance written notice, during which time the Company could elect to convert the Debenture to Progressive Care’s common stock. Upon the prepayment of a Debenture, Progressive Care will pay the Company an amount equal to the sum of: (i) all outstanding principal under such Debenture, plus (ii) all accrued and unpaid interest under such Debenture through the prepayment date, multiplied by (iii) 110%. While amounts are outstanding under a Debenture, Progressive Care will be subject to certain restrictive covenants, including with respect to the incurrence of indebtedness, the imposition of liens on Progressive Care’s assets, changes to the Progressive Care’s organization documents, etc.

In connection with the SPA, on November 16, 2022, the Company entered into a Security Agreement (the “Security Agreement”) with Progressive Care and its subsidiaries, Touchpoint RX, LLC, a Florida limited liability company (“Touchpoint”), Family Physicians RX, Inc., a Florida corporation (“FPRX”), and ClearMetrX Inc., a Florida corporation (“ClearMetrX” and collectively with Progressive, Touchpoint and FPRX, the “Borrower Parties”). Pursuant to the Security Agreement, the Borrower Parties granted the Company a security interest in all of their respective assets to secure Progressive Care’s obligations under the Debentures.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Discontinued Operations***

The Company's former operations were developing and manufacturing products and services, which reduce fuel costs, save power and energy and protect the environment. The products and services were made available for sale into markets in the public and private sectors. In December 2009, the Company discontinued these operations and disposed of certain of its subsidiaries.

The remaining liabilities for discontinued operations are presented in the consolidated balance sheets under the caption "Liabilities from discontinued operation" and relates to the discontinued operations of developing and manufacturing of energy saving and fuel-efficient products and services. The carrying amounts of the major classes of these liabilities as of December 31, 2022, and 2021 are summarized as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Assets of discontinued operations	\$ -	\$ -
<i>Liabilities</i>		
Accounts payables and accrued expenses	\$ (112,397)	\$ (112,397)
Liabilities from discontinued operations	<u>\$ (112,397)</u>	<u>\$ (112,397)</u>

***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, ("Orbital Satcom"), Global Telesat Communications Limited, ("GTC") and NextPlat B.V. ("NXPLBV"). All material intercompany balances and transactions have been eliminated in consolidation.

***Liquidity***

***June 2021 Public Offering***

As an early-stage growth company, NextPlat's ability to access capital is critical. On June 2, 2021, through an upsized underwritten public offering of 2,880,000 units at a price to the public of \$5.00 per unit, the Company received gross proceeds of \$14,404,666 (the "June Offering"). See Note 12, *Stockholders' Equity*, for more information regarding the June Offering.

In connection with closing of the June Offering, the Underwriter partially exercised its overallotment option and purchased an additional 432,000 warrants at \$0.01 per warrant, which had an exercise price of \$5.00 per share and a 5 year term, for additional gross proceeds to the Company of \$4,320. On June 28, 2021, the Underwriter, upon the exercise in full of the balance of its over-allotment option, purchased 432,000 additional shares of the common stock for additional gross proceeds of \$2,155,680 from the sale of the Shares.

***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.

***December 2022 Private Placement of Common Stock***

On December 9, 2022, the Company entered into a securities purchase agreement with certain institutional and accredited investors for the sale by the Company in a private placement of 4,575,429 units, each unit comprising (i) one share of the Company's common stock, and (ii) one warrant to purchase one share of common stock. The offering price of the units was \$1.75 per unit. The warrants included in the units are exercisable at a price of \$1.75 per share and expire three years from the date of issuance.

On December 9, 2022, the Company entered into placement agency agreement (the “Placement Agency Agreement”) with Dawson James Securities, Inc. (“Dawson James”). The Company has agreed to pay Dawson James a placement agent fee of 6% of the gross proceeds received in the private placement and 3% on all proceeds from officers and directors including any directed orders from the Company. As additional compensation under the Placement Agency Agreement, the Company will issue Dawson James warrants (the “Placement Agent Warrants”) to purchase up to 549,051 shares of Common Stock with an exercise price of \$1.75 per share. The Placement Agent Warrants are exercisable at any time and from time to time during the three-year period commencing on the six-month anniversary of the closing date. The Company reimbursed Dawson for up to \$100,000 for its legal and due diligence expenses.

The offering closed on December 14, 2022, and the Company received gross proceeds of approximately \$8.0 million for the units.

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 Company’s existing financial resources are sufficient to continue operating activities for at least one year past the issuance date of the financial statements.

### ***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, and common stock and options issued for services, receivables, the useful lives of property and equipment, and intangible assets, the estimate of the fair value of the lease liability and related right of use assets and the estimates of the valuation allowance on deferred tax assets.

### ***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 accounts at this institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. All cash amounts in excess of \$250,000, \$18,290,725, are unsecured at December 31, 2022. 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.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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 December 31, 2022, and 2021, there is an allowance for doubtful accounts of \$0 and \$0, respectively.

***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 current and long term amounted to \$45,679 and \$49,078, respectively for the year ended December 31, 2022, as compared to \$97,068 and \$49,867 for the year ended December 31, 2021. Prepaid expenses include prepayments in cash for accounting fees, prepayments in equity instruments, which are being amortized over the terms of their respective agreements, as well as cost associated with certain contract liabilities. The current portion consists of costs paid for future services which will occur within a year.

***Investments***

The Company applies the equity method of accounting to investments when it has significant influence, but not controlling interest, in the investee. Judgment regarding the level of influence over each equity method investment includes considering key factors such as ownership interest, representation on the board of directors, participation in policy-making decisions and material intercompany transactions. The carrying value of our equity method investment is reported as "equity method investment" on the consolidated balance sheets. The Company's equity method investment is reported at cost and adjusted each period for the Company's share of the investee's income or loss and dividend paid, if any. The Company's proportionate share of the net loss resulting from these investments is reported under the line item captioned "equity in net loss of affiliate" in the consolidated statements of operations and comprehensive loss. Note 7 contains additional information on the equity method investment.

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. Management reviewed the underlying net assets of the investee as of December 31, 2022 and determined that the Company's proportionate economic interest in the investee indicate that the investments were not impaired.

***Foreign Currency Translation***

The Company's reporting currency is U.S. Dollars. The accounts of one of the Company's subsidiaries, GTC, 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 year ended December 31, 2022, closing rate at 1.2098 US\$: GBP, yearly average rate at 1.2369 US\$: GBP, for the year ended December 31, 2021 closing rate at 1.353372 US\$: GBP, yearly average rate at 1.375083 US\$: GBP.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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.

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 are shown separately in the consolidated balance sheets as current liabilities. At December 31, 2022, we had contract liabilities of \$36,415. At December 31, 2021, we had contract liabilities of \$36,765.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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.

***Advertising***

Costs incurred for producing and communicating advertising for the Company are charged to operations as incurred. Advertising expense was \$92,549 and \$61,922 for the years ended December 31, 2022 and 2021, respectively.

***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.

***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.

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
Appliques	10
Website development	2

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Depreciation expense for the years ended December 31, 2022, and 2021 was \$465,059 and \$292,102, respectively.

***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 years ended December 31, 2022 and December 31, 2021, respectively.

***Fair Value of Financial 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 other 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, accrued expenses, and notes payable approximate their estimated fair market values based on the short-term maturity of the instruments.

***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.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In June 2018, the FASB issued ASU 2018-07, Compensation – Stock Compensation. (Topic 718). This update is intended to reduce cost and complexity and to improve financial reporting for share-based payments issued to non-employees (for example, service providers, external legal counsel, suppliers, etc.). The ADU expands the scope of ASC 718, Compensation - Stock Compensation, which currently only includes share-based payments issued to employees, also includes share-based payments issued to non-employees for goods and services. Consequently, the accounting for share-based payment to non-employees and employees will be substantially aligned. This standard will be effective for the financial statements issues by public companies for the annual and interim periods beginning after December 15, 2018. Early adoption of the standard is permitted. The standard will be applied in a retrospective approach for each period presented. Management adopted this standard on January 1, 2019.

The Company estimated the fair value of stock options granted using the Black-Scholes option-pricing formula. This fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. The Company's determination of the fair value using the option-pricing model is affected by the stock price as well as assumptions regarding the number of highly subjective variables.

***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.



**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

***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 years ended December 31, 2022 and 2021, there were no expenditures on research and development.

***Accumulated Other Comprehensive Income (Loss)***

Comprehensive income (loss) is comprised of net income (loss) and all changes to the statements of stockholders’ equity. For the Company, comprehensive income (loss) for the years ended December 31, 2022 and 2021 included net income (loss) and unrealized income (losses) from foreign currency translation adjustments.

***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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Stock Options	1,259,701	929,892
Stock Warrants	7,654,572	2,530,092
Total	<u>8,914,273</u>	<u>3,459,984</u>

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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 17).

***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 adopted the statement on its effective date and it had no impact on the Company’s financial results for the year ended December 31, 2022.

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.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 2 – INVENTORIES**

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

	December 31, 2022	December 31, 2021
Finished goods	\$ 1,286,612	\$ 1,019,696
Less reserve for obsolete inventory	-	-
<b>Total</b>	<b>\$ 1,286,612</b>	<b>\$ 1,019,696</b>

For the years ended December 31, 2022 and 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 years ending December 31, 2022 and 2021, the Company recorded a receivable in the amount of \$432,769 and \$491,417, respectively, for amounts available to reclaim against the tax liability from UK and EU countries. Subsequently to December 31, 2022 and 2021, the Company has received a total of £80,570 or \$96,740, using an exchange rate close of 1.20069 GBP:USD and £70,756 or \$95,759, using an exchange rate close of 1.3533720 GBP:USD, in regard to this receivable.

**NOTE 4 – PREPAID EXPENSES**

Prepaid expenses current and long term amounted to \$45,679 and \$49,078, respectively for the year ended December 31, 2022, as compared to \$97,068 and \$49,867 for the year ended December 31, 2021. Prepaid expenses include prepayments in cash for accounting fees, prepayments in equity instruments, which are being amortized over the terms of their respective agreements, as well as cost associated with certain contract liabilities. The current portion consists of costs paid for future services which will occur within a year.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	December 31, 2022	December 31, 2021
Office furniture and fixtures	\$ 128,252	\$ 16,969
Computer equipment	72,345	67,458
Rental equipment	37,531	53,296
Appliques	2,160,096	2,160,096
Leasehold improvements	47,792	-
Website development <sup>(1)</sup>	665,030	247,541
	3,111,046	2,545,360
Less accumulated depreciation	(1,865,244)	(1,502,501)
<b>Total</b>	<b>\$ 1,245,802</b>	<b>\$ 1,042,859</b>

(1) The increase in website development is directly related to the Company’s investment in its enterprise resource planning “ERP” system. For the year ended December 31, 2022, 19.2% or approximately \$86,000 of the cost was expensed in the period incurred to SG&A and 80.8% or approximately \$362,000 was capitalized and depreciated over its useful life. On January 1, 2023, the Company completed its implementation process.

Depreciation expenses were \$465,059 and \$292,102 for the year ended December 31, 2022 and 2021, respectively.

Total property and equipment were reduced by approximately \$133,000 for assets still in service. These assets had a net book value of \$0 as of December 31, 2022.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**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.

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 year ended December 31, 2022, the Company amortized \$25,000. Future amortization of intangible assets is as follows:

2023	\$	25,000
2024		25,000
Total	\$	<u>50,000</u>

For the years ended December 31, 2022 and 2021, there were no additional expenditures on research and development.

On June 22, 2022, the Company formed its Netherlands subsidiary, NextPlat B.V. with \$1.00.

**NOTE 7 – EQUITY METHOD INVESTMENT IN PROGRESSIVE CARE, INC. AND SUBSIDIARIES**

Progressive Care, Inc. (a publicly traded company) is a personalized healthcare services and technology company that provides prescription pharmaceuticals and risk and data management services to healthcare organization and providers. On August 30, 2022 the Company entered into a Securities Purchase Agreement (the “SPA”) with Progressive Care, Inc. (“Progressive”), which subsequently closed on September 2, 2022, pursuant to which the Company purchased 3,000 newly issued units of securities from Progressive at a price per unit of \$2,000, for an aggregate purchase price of \$6,000,000. Each unit consists of one share of Progressive Series B Convertible Preferred Stock (“Series B Preferred Stock”) and one warrant to purchase a share of Progressive Series B Preferred Stock (“Warrants”). Each share of Series B Preferred Stock will vote as a class with the common stock of Progressive, and will have 500 Progressive votes per share, and each share of Series B Preferred Stock will be convertible into 500 shares of Progressive’s common stock. The Warrants are exercisable at a price of \$2,000 per share of Series B Preferred Stock have a five-year term, and are immediately exercisable, in whole or in part, and contain cashless exercise provisions. The Company determined the Series B Preferred Stock is in-substance common stock because the Series B Preferred Stock has similar risk and reward characteristics to common stock.

Pursuant to the SPA, NextPlat’s Chairman and Chief Executive Officer, Charles M. Fernandez and board member, Rodney Barreto, were appointed to Progressive’s Board of Directors as Chairman of the Company’s Board of Directors and Vice Chairman, respectively. On November 11, 2022, the Progressive Care board of directors elected Mr. Fernandez to serve as the Chief Executive Officer of Progressive Care.

In addition, on September 2, 2022, NextPlat, entered into a Confidential Purchase and Release Agreement (the “NPA”) with a third-party lender to Progressive pursuant to which NextPlat agreed to purchase \$1,000,000 of Progressive’s principal convertible debt from the third-party (the “Note Purchase”) and was issued 45,652 of Progressive common stock. NextPlat paid an aggregate of \$1,000,000 for the Note Purchase and common stock. The convertible note receivable has a principal balance of \$1,213,429, carries a simple interest rate of 5%, is convertible at \$4.00 per share of common stock, and matures on August 31, 2027.

As a result of the SPA and related transactions, the Company paid an aggregate of \$7,000,000 for an economic and voting interest in Progressive of 32.47%. Subsequent to September 2, 2022, the Company’s ownership interest decreased to 31.89%. As of December 31, 2022, the board seats, combined with the Company’s ownership interest of 33.47% provide the Company with significant influence over Progressive, but not a controlling interest. Since Progressive does not depend on the Company for continuing financial support to maintain operations as of December 31, 2022, the Company has determined that Progressive is not a variable interest entity, and therefore, the Company is not required to determine the primary beneficiary of Progressive for potential consolidation. Based on quoted market prices, the market value of the Company’s ownership interest in Progressive was approximately \$10.05 million at December 31, 2022.

The Company combined its investment in the Series B Preferred Stock, common stock, warrants, and convertible note receivable into one line item on the consolidated balance sheets as “Equity method investment”. The Company reported its aggregate earnings from its investment as one line item on the consolidated statement of operations as “Equity in net loss of affiliate”.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 7 – EQUITY METHOD INVESTMENT IN PROGRESSIVE CARE, INC. AND SUBSIDIARIES (continued)**

The following summarizes the Company’s consolidated balance sheet description equity method investment as follows:

	Carrying Amount
August 30, 2022, beginning balance	\$ 7,000,000
Portion of loss from Progressive Care, Inc. and Subsidiaries	(1,734,576)
Depreciation expense due to cost basis difference <sup>(1)</sup>	(33,032)
Interest earned from convertible note receivable	20,445
Interest earned from amortization of premium on convertible note receivable	14,368
Elimination of intercompany interest earned	(6,680)
December 31, 2022, carrying amount	<u>5,260,525</u>

The following summarizes the Company’s consolidated statements of operations and comprehensive loss description equity in net loss of affiliate for the year ended December 31, 2022 as follows:

	For the Year Ended December 31, 2022
Equity in net loss of affiliate	\$ (1,734,576)
Depreciation expense due to cost basis difference <sup>(1)</sup>	(33,032)
Interest earned from convertible note receivable	20,445
Interest earned from amortization of premium on convertible note receivable	14,368
Elimination of intercompany interest earned	(6,680)
Equity in net loss of affiliate	<u>\$ (1,739,475)</u>

<sup>(1)</sup> NextPlat records depreciation expense on its estimated cost basis difference which is subject to change

**NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED OTHER LIABILITIES**

Accounts payable and accrued expenses consisted of the following:

	December 31, 2022	December 31, 2021
Accounts payable	\$ 1,194,067	\$ 846,380
Rental deposits	4,325	2,030
Customer deposits payable	86,462	59,733
Accrued wages & payroll liabilities	23,040	20,107
VAT liability & sales tax payable	5,685	6,203
U.K. income tax payable	23,771	-
Accrued legal fees	84,685	-
Pre-merger accrued other liabilities	88,448	88,448
Accrued interest	356	138
Accrued other liabilities	7,256	40,305
Total	<u>\$ 1,518,095</u>	<u>\$ 1,063,344</u>

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 9 – CONVERTIBLE NOTES PAYABLE**

*August 2020 Notes*

Notes On August 21, 2020, the Company entered into a Note Purchase Agreement by and among the Company and certain lenders where the Company sold an aggregate principal amount of \$933,000 of its convertible promissory notes (the “August 2020 Notes”). The August 2020 Note holders had an optional right of conversion such that a Noteholder may elect to convert his August 2020 Note, in whole or in part, outstanding as of such time, into the number of fully paid and non-assessable shares of the Company’s common stock as determined by dividing the outstanding indebtedness by \$0.20, subject to certain adjustments.

*December 2020 Notes*

On December 1, 2020, the Company entered into a Note Purchase Agreement by and among the Company and certain lenders where the Company sold an aggregate principal amount of \$244,000 of its convertible promissory notes (the “December 2020 Notes”). The December 2020 Note holders had an optional right of conversion such that a Noteholder may elect to convert his December 2020 Note, in whole or in part, outstanding as of such time, into the number of fully paid and non-assessable shares of the Company’s common stock as determined by dividing the outstanding indebtedness by \$0.25, subject to certain adjustments.

*March 2021 NPA*

On March 5, 2021, the Company entered into a Note Purchase Agreement (the “March 2021 NPA”) with an individual accredited investor (as such term is defined in Rule 501(a) of Regulation D under the Securities Act. Pursuant to the terms of the March 2021 NPA, the Company sold a convertible promissory note with a principal amount of \$350,000 (the “March 2021 Note”). The March 2021 Note was a general, unsecured obligation of the Company and bore simple interest at a rate of 7% per annum, maturing on the third anniversary of the date of issuance. The Company’s issuance of the March 2021 Note was made pursuant to an exemption from registration under the Securities Act of 1933, as amended (the “Securities Act”) in reliance on Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering.

The Company used the offering proceeds for working capital and general corporate purposes. In April 2021 the Noteholder waived contractual pre-emptive rights set forth in the March 2021 NPA. On May 27, 2021, the Lender converted \$350,000 of the March 2021 Note into 100,000 shares of common stock.

For the year ended December 31, 2021, the Holders of the August 2020 Notes and the December 2020 Notes, converted a total of \$1,644,267 of the convertible debt to 1,345,468 shares of common shares, resulting in the amortization of the debt discount, to interest expense \$1,425,365.

For the years ended December 31, 2022 and 2021, the balances of the Company’s convertible note payable was \$0 and \$0, respectively.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 10 - STOCK SUBSCRIPTION PAYABLE**

For the years ended December 31, 2022 and 2021, the Company had a stock subscription payable of \$0 and \$1,400,000, respectively.

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 2021 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 year ended December 31, 2021, the Company received gross proceeds of \$1,400,000 of the \$7,225,038, pursuant to the December 2021 Offering. 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 - CORONAVIRUS LOANS**

On April 20, 2020, the Board of Directors of the Company, 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 4.0% 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 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 and David Phipps, President, 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 December 31, 2022, and 2021, the Company has recorded \$60,490 and \$56,391 as current portion of notes payable and \$156,266 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.



**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 12 - STOCKHOLDERS' EQUITY**

***Preferred Stock***

We have authorized 3,333,333 shares of \$0.0001 par value of preferred stock. No preferred stock was outstanding for any year presented.

***Common Stock***

We have authorized 50,000,000 shares of \$0.0001 par value common stock. As of December 31, 2022 and 2021, 14,402,025 and 7,053,146 shares, respectively, were issued and outstanding.

***Capital Structure***

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 were adjusted accordingly. All information presented, 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 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.

***December 2022 Private Placement of Common Stock ("December Offering")***

On December 9, 2022, the Company entered into a securities purchase agreement with certain institutional and accredited investors for the sale by the Company in a private placement of 4,575,429 units, each unit comprising (i) one share of the Company's common stock, and (ii) one warrant to purchase one share of common stock. The offering price of the units was \$1.75 per unit. The warrants included in the units are exercisable at a price of \$1.75 per share and expire three years from the date of issuance.

The offering closed on December 14, 2022, and the Company received gross proceeds of approximately \$8.0 million for the units. The Company intends to use the proceeds from the offering for working capital needs, potential acquisitions, joint ventures, and ongoing business transition activities.

On December 9, 2022, the Company entered into placement agency agreement (the "Placement Agency Agreement") with Dawson James Securities, Inc. ("Dawson James") pursuant to which Dawson James agreed to serve as lead or managing placement agent on a best efforts, agency basis in connection with the private placement of the Units. The Company has agreed to pay Dawson James a placement agent fee of 6% of the gross proceeds received in the private placement and 3% on all proceeds from officers and directors including any directed orders from the Company. As additional compensation under the Placement Agency Agreement, the Company will issue Dawson James warrants (the "Placement Agent Warrants") to purchase up to 549,051 shares of Common Stock with an exercise price of \$1.75 per share. The Placement Agent Warrants are exercisable at any time and from time to time during the three-year period commencing on the six month anniversary of the closing date.

***January 2022 Private Placement of Common Stock ("January Offering")***

On January 2, 2022, the Company finalized and closed a securities purchase agreement (the "Purchase Agreement") in connection with the sale in a private placement by the Company of 2,229,950 shares of the Company's common stock. The purchase price for the common stock sold in the offering was \$3.24 per share.

The Company received gross proceeds from the sale of the common stock 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. The Company intended to use the proceeds from the offering for general corporate purposes, including potential acquisitions and joint ventures. Approximately 73% of funds raised were secured from existing shareholders and from the members of the Company's senior management and Board of Directors.

***June 2021 Public Offering ("June Offering")***

On June 2, 2021, through an upsized underwritten public offering of 2,880,000 units at a price to the public of \$5.00 per unit, the Company received gross proceeds of \$14,404,666.

In connection with closing of the offering, the underwriter partially exercised its overallotment option and purchased an additional 432,000 warrants, which had an exercise price of \$5.00 per share and a term of 5 years, at \$0.01 per warrant for additional gross proceeds to the Company of \$4,320. On June 28, 2021, the Underwriter, upon the exercise in full of the balance of its overallotment option, purchased 432,000 additional shares of the common stock for additional gross proceeds of approximately \$2.2 million from the sale of the Shares.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 13 – WARRANTS**

*Underwriter Warrants*

In addition to, but separate from, the registered warrants included in the units sold in the June Offering, the Company issued 144,000 warrants to Maxim Group LLC, the underwriter (the “Underwriter Warrants”) in connection with the June Offering. The Underwriter Warrants expire five years from the effective date of the June Offering and are exercisable at a per share price equal to \$5.50 per share, or 110% of the public offering price per unit in the June Offering.

On December 9, 2022, pursuant to the December Offering, the Company issued warrants to purchase 4,575,429 shares of common stock in an offering, at an exercise price of \$1.75 and a term of 3 years.

*Placement Agent Warrants*

In addition to, but separate from, the unregistered warrants included in the units sold in the December Offering, the Company issued 549,051 warrants to purchase shares of Common Stock with an exercise price of \$1.75 per share, to its Placement Agent Dawson James Securities Inc. The Placement Agent Warrants are exercisable at any time and from time to time during the three-year period commencing on the six-month anniversary of the closing date.

As of December 31, 2022 and 2021, there were 549,051 and 144,000 Underwriter Warrants issued and outstanding, respectively.

A summary of the status of the Company’s total outstanding warrants and changes during the year ended December 31, 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	-	-
Exercised	(925,908)	-	-
Forfeited	-	-	-
Cancelled	(800)	-	-
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	5,124,480	1.75	3.05
Exercised	-	-	-
Forfeited	-	-	-
Cancelled	-	-	-
Balance outstanding and exercisable at December 31, 2022	<u>7,654,572</u>	<u>\$ 2.83</u>	<u>3.15</u>

As of December 31, 2022, and December 31, 2021, there were 7,654,572 and 2,530,092 warrants outstanding, respectively.

As of December 31, 2022, the Company had registered warrants of 2,386,092 of the 7,654,572 warrants issued and outstanding.

The Company determined that the warrants do not meet the definition of liability under FASB ASC Topic 480 and therefore classified the warrants as equity instruments.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 14 – STOCK-BASED COMPENSATION**

For the years ended December 31, 2022 and 2021, stock-based compensation expense recognized in SG&A expenses was \$2,973,234 and \$3,758,424, respectively.

***Stock Award Plans***

The Company maintains stock incentive plans to attract, motivate and retain management, key employees, directors, and consultants. These plans provide for discretionary awards of, among others, stock options, stock awards, stock unit awards, and stock appreciation rights to participants (collectively, share-based awards).

***Restricted Stock Awards***

The following table summarizes our restricted stock awards activity:

	<u>Number of Units</u>	<u>Weighted Average Grant- Date Fair Value</u>
Outstanding as of December 31, 2020	-	
Granted	1,506,000	4.13
Vested	(633,889)	3.94
Forfeited	(4,611)	3.81
Outstanding as of December 31, 2021	867,500	4.20
Granted	136,000	2.72
Vested	(543,500)	3.78
Forfeited	-	-
Outstanding as of December 31, 2022	460,000	4.32

As of December 31, 2022, there was approximately \$2.3 million of net unrecognized compensation cost related to unvested stock-based compensation to be recognized over the remaining weighted average period of 1.4 years.

***Stock Options***

Stock options outstanding at December 31, 2022 and 2021, as disclosed in the below table, have approximately (\$6.1) million and (\$2.8) million of intrinsic value, respectively.

A summary of the status of the Company's outstanding stock options and changes during the years ended December 31, 2022 and 2021, is as follows:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Weighted Average Remaining Contractual Life (Years)</u>
Balance at January 1, 2021	599,092	\$ 2.35	\$ -	9.91
Granted	1,650,000	\$ 5.24	\$ 3.23	5.31
Exercised	(19,200)	\$ 1.00	\$ -	-
Cancelled	(50,000)	\$ 1.25	\$ -	-
Expired	-	\$ -	\$ -	-
Balance outstanding at December 31, 2021	2,179,892	\$ 4.54	\$ 2.44	5.93
Options exercisable at December 31, 2021	929,892	\$ 3.53	\$ 1.37	7.36
Balance at January 1, 2022	2,179,892	\$ 4.54	\$ 2.44	5.93
Granted	190,000	\$ 1.92	\$ 1.43	6.85
Exercised	-	\$ -	\$ -	-
Cancelled	(250,000)	\$ 5.35	\$ -	-
Expired	(191)	\$ -	\$ -	-
Balance outstanding at December 31, 2022	2,119,701	\$ 4.16	\$ 2.25	5.23

Options exercisable at December 31, 2022	1,259,701	\$	3.51	\$	1.68	6.25
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For the year ended December 31, 2021, the Company granted 1,650,000 stock options valued at approximately \$2.89 - \$3.24 per option, using a Black-Scholes option pricing model with the following assumptions: stock price of \$3.81-\$5.37 per share (based on closing price of the Company's common stock on the date of grant), volatility of 75% - 80%, expected term of 5-10 years, and a risk free interest rate of 0.28%.

For the year ended December 31, 2022, the Company granted 190,000 stock options valued at approximately \$1.10 - \$1.92 per option, using a Black-Scholes option pricing model with the following assumptions: stock price of \$1.71 - \$2.20 per share (based on closing price of the Company's common stock on the date of grant), volatility of 75% - 100%, expected term of 5 to 10 years and a risk free interest rate of 2.66% to 4.39%.

As of December 31, 2022, there was approximately \$2.7 million of net unrecognized compensation cost related to unvested stock options to be recognized over the remaining weighted average period of 3.73 years.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 15 – INCOME TAXES**

The Company accounts for income taxes under ASC Topic 740: Income Taxes which requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and the tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax losses and tax credit carry forwards. ASC Topic 740 additionally requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets.

The tax reform bill that Congress voted to approve December 20, 2017, also known as the “Tax Cuts and Jobs Act”, made sweeping modifications to the Internal Revenue Code, including a much lower corporate tax rate, changes to credits and deductions, and a move to a territorial system for corporations that have overseas earnings. The act replaced the prior-law graduated corporate tax rate, which taxed income over \$10.0 million at 35%, with a flat rate of 21%. Due to the continuing loss position of the Company, such changes should not be material.

For U.S. purposes, the Company has not completed its evaluation of NOL utilization limitations under Internal Revenue Code, as amended (the “Code”) Section 382, change of ownership rules. If the Company has had a change in ownership, the NOL’s would be limited as to the amount that could be utilized each year, or possibly eliminated, based on the Code. The Company has also, not completed its review of NOL’s pertaining to years the Company was known as “Silver Horn Mining Ltd.” and “Great West Resources, Inc.”, which may not be available due to IRC Section 382 and because of a change in business line that may eliminate NOL’s associated with “Silver Horn Mining Ltd.” and “Great West Resources, Inc.” The company has also not reviewed the impact relating to “Recent Events” for its IRC Section 382 possible NOL’s limitation.

The components of earnings before income taxes for the years ended December 31, 2022 and 2021 were as follows:

	<b>Year Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Net loss after loss in equity method investment and before income taxes:</b>		
Domestic	\$ (9,449,000)	\$ (8,188,000)
Foreign	362,000	80,000
	<u>\$ (9,087,000)</u>	<u>\$ (8,108,000)</u>

Income tax provision (benefit) consists of the following for the years ended December 31, 2022 and 2021:

	<b>Year Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Income tax provision (benefit):</b>		
Current		
Federal	\$ -	\$ -
State	-	-
Foreign	87,000	15,000
Total current	<u>87,000</u>	<u>15,000</u>
Deferred:		
Federal	-	-
State	-	-
Foreign	-	-
Total deferred	<u>-</u>	<u>-</u>
Total income tax provision (benefit)	<u>\$ 87,000</u>	<u>\$ 15,000</u>

The Company’s wholly owned subsidiary, GTC, is a United Kingdom (“UK”) Limited Company and files tax returns in the UK. Its estimated tax liability for December 31, 2022 and 2021 is approximately \$87,000 and \$15,000, respectively.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 15 – INCOME TAXES (CONTINUED)**

A reconciliation of the income tax provision (benefit) by applying the statutory United States federal income tax rate to income (loss) before income taxes is as follows:

	<b>Year Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Federal income tax provision (benefit) at statutory rate	\$ (1,984,000)	\$ 1,736,000
State tax expense net of federal tax benefit	(411,000)	211,000
State tax expense federal impact	45,000	29,000
Non-deductible expenses	-	(320,000)
State rate change adjustment	(214,000)	(138,000)
Foreign taxes at rate different than US Taxes	87,000	(2,000)
Other true-ups	106,000	188,000
Change in valuation allowance	2,458,000	(1,689,000)
Income tax provision (benefit)	<u>\$ 87,000</u>	<u>\$ 15,000</u>

Deferred tax assets and liabilities are provided for significant income and expense items recognized in different years for tax and financial reporting purposes. Temporary differences, which give rise to a net deferred tax asset is as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Deferred tax assets:</b>		
Net operating loss carryforward	\$ 3,658,000	\$ 2,455,000
Property plant and equipment and intangibles asset	130,000	132,000
Equity method investment loss	441,000	-
Stock-based compensation	1,949,000	1,133,000
Total deferred tax assets	<u>\$ 6,178,000</u>	<u>\$ 3,720,000</u>
<b>Deferred tax liabilities:</b>		
Book basis of property and equipment in excess of tax basis	\$ -	\$ -
Total deferred tax liabilities	<u>\$ -</u>	<u>\$ -</u>
Net deferred tax asset before valuation allowance	\$ 6,178,000	\$ 3,720,000
Less: valuation allowance	(6,178,000)	(3,720,000)
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

The net operating loss carryforward increased from approximately \$10.2 million at December 31, 2021 to \$14.8 million at December 31, 2022. After consideration of all the evidence, both positive and negative, management has recorded a full valuation allowance at December 31, 2022 and 2021, due to the uncertainty of realizing the deferred income tax assets. The change in the valuation allowance for 2022 was approximately \$2.5 million. Out of the approximately \$14.8 million net operating losses carry forward, approximately \$2.9 million will begin to expire in 2036 and approximately \$11.9 million will have an indefinite life.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 15 – INCOME TAXES (CONTINUED)**

The Internal Revenue Code includes a provision, referred to as Global Intangible Low-Taxed Income (“GILTI”), which provides for a 10.5% tax on certain income of controlled foreign corporations. We have elected to account for GILTI as a period cost if and when occurred, rather than recognizing deferred taxes for basis differences expected to reverse.

The Company is subject to taxation in the U.S. and various states and foreign jurisdictions. U.S. federal income tax returns for 2018 and after remain open to examination. We and our subsidiaries are also subject to income tax in multiple states and foreign jurisdictions. Generally, foreign income tax returns after 2017 remain open to examination. No income tax returns are currently under examination. As of December 31, 2022 and 2021, the Company does not have any unrecognized tax benefits, and continues to monitor its current and prior tax positions for any changes. The Company recognizes penalties and interest related to unrecognized tax benefits as income tax expense. For the years ended December 31, 2022 and 2021, there were no penalties or interest recorded in income tax expense.

**NOTE 16 - COMMITMENTS AND CONTINGENCIES**

***COVID-19***

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) a global pandemic prompting government-imposed quarantines, suspension of in-person attendance of academic programs, and cessation of certain travel and business closures. The United States has entered a recession as a result of the COVID-19 pandemic, which may prolong and exacerbate the negative impact on us. Although we expect the availability of vaccines and various treatments with respect to COVID-19 to have an overall positive impact on business conditions in the aggregate over time, the exact timing of these positive developments is uncertain. In December 2020, the United States began distributing two vaccines that, in addition to other vaccines under development, are expected to help to reduce the spread of the coronavirus that causes COVID-19 once they are widely distributed. If the vaccines prove less effective than currently understood by the scientific community and the United States Food and Drug Administration, or if there are problems with the acceptance, availability, timing or other difficulties with widely distributing the vaccines, the pandemic may last longer, and could continue to impact our business for longer, than we currently expect. In response to COVID-19, governmental authorities have implemented numerous measures to try to contain the virus, such as travel bans and restrictions, prohibitions on group events and gatherings, shutdowns of certain businesses, curfews, shelter in place orders and recommendations to practice social distancing. Although many governmental measures have had specific expiration dates, some of those measures have already been extended more than once, and there is considerable uncertainty regarding the duration of such measures and the implementation of any potential future measures, especially if cases increase again across the United States, with the potential for additional challenges resulting from the emergence of new variants of COVID-19, some of which may be more transmissible than the initial strain. Such measures have impacted, and may continue to affect, our workforce, operations, suppliers and customers. We reduced the size of our workforce following the onset of COVID-19 and may need to take additional actions to further reduce the size of our workforce in the future; such reductions incur costs, and we can provide no assurance that we will be able to rehire our workforce in the event our business experiences a subsequent recovery. We took steps to curtail our operating expenses and conserve cash. We may elect or need to take additional remedial measures in the future as the information available to us continues to develop, including with respect to our workforce, relationships with our third-party vendors, and our customers. There is no certainty that the remedial measures we have implemented to date, or any additional remedial steps we may take in the future, will be sufficient to mitigate the risks posed by COVID-19. Further, such measures could potentially materially adversely affect our business, financial condition and results of operations and create additional risks for us. Any escalation of COVID-19 cases across many of the markets we serve could have a negative impact on us. Specifically, we could be adversely impacted by limitations on our employees to perform their work due to illness caused by the pandemic or local, state, or federal orders requiring our stores to close or employees to remain at home; limitation of carriers to deliver our product to customers; product shortages; limitations on the ability of our customers to conduct their business and purchase our products and services; and limitations on the ability of our customers to pay us in a timely manner. These events could have a material, adverse effect on our results of operations, cash flows and liquidity.



**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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 years ended December 31, 2022 and for the year ended December 31, 2021, 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.

***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 all compensation payable under his employment agreement executed in June 2021. The Company's position is that Mr. Seifert is not owed any additional consideration or compensation relating to his prior service with the Company or arising under any employment agreement. The Company believes it has adequate defenses to any such claims. The Company has determined to initiate litigation against Mr. Seifert asserting a number of claims including, but not limited to, rescission of the employment agreement, fraud in the inducement in connection with the execution of the employment agreement, and breach of the fiduciary duties of good faith and loyalty. The Company does not expect to seek substantial monetary relief in the litigation.

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.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 17 - LEASE OBLIGATIONS**

The Company has entered into a number of lease arrangements under which the Company is the lessee. These leases are classified as operating leases. In addition, the Company has elected the short-term lease practical expedient in ASC Topic 842 related to real estate leases with terms of one year. The following is a summary of the Company's lease arrangements.

***Operating Lease Agreements***

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

For our facilities in Poole, England, we rent office and warehouse space of approximately 2,660 square feet for £30,000 annually or approximately USD \$37,107, based on a yearly average exchange rate of 1.2369 GBP:USD. The Poole lease was renewed on October 6, 2022, and will expire October 31, 2023. This renewal is not representative in the table future minimum lease payments, for the year ended December 31, 2022.

The Florida lease does 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.

The rate implicit to the Florida lease is not readily determinable, and we therefore use our incremental borrowing rate to determine the present value of the lease payments. The weighted average incremental borrowing rate used to determine the initial value of right of use (ROU) assets and lease liabilities during the year ended December 31, 2022 was 3.75%. Right of use assets for operating leases are periodically reduced by impairment losses. We use the long-lived assets impairment guidance in ASC Subtopic 360-10, Property, Plant, and Equipment – Overall, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize. As of December 31, 2022, we have not recognized any impairment losses for our ROU assets.

We monitor for events or changes in circumstances that require a reassessment of one of our leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in profit or loss.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 17 - LEASE OBLIGATIONS (CONTINUED)**

We recognized lease costs associated with all leases as follows:

	<b>For the Year Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Operating lease cost:		
Fixed rent expense	\$ 100,818	\$ 35,112
<b>Total Lease Costs</b>	<b>\$ 100,818</b>	<b>\$ 35,112</b>

Supplemental cash flow information related to leases was as follows:

	<b>For the Year Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 101,471	\$ 32,936
<b>Total cash paid for lease liabilities</b>	<b>\$ 101,471</b>	<b>\$ 32,936</b>

Supplemental balance sheet information related to leases was as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Operating leases:		
Operating lease right-of-use assets, net	\$ 854,862	\$ 22,643
Operating lease liabilities:		
Current portion	208,660	19,763
Long-term portion	649,895	-
	<b>\$ 858,555</b>	<b>\$ 19,763</b>
Weighted average remaining lease term (years)	5.50	0.58
Weighted average discount rate	3.75%	6.00%

Future minimum lease payments are as follows:

<b>Years Ending December 31,</b>	<b>Minimum Lease Payment</b>
2023	\$ 211,059
2024	194,814
2025	200,659
2026	206,679
2027	122,870
Total undiscounted future non-cancelable minimum lease payments	936,081
Less: Imputed interest	(77,526)
Present value of lease liabilities	<b>\$ 858,555</b>
Weighted average remaining term	5.50

**NOTE 18 – RELATED PARTY TRANSACTIONS**

As of December 31, 2022, the accounts payable due to related party includes \$21,617 due to Charles Fernandez, \$720 due to David Phipps and accounts payable due to Paul Thomson of \$6,130. Total related party payments due as of December 31, 2022 and December 31, 2021 are \$28,467 and \$35,308, respectively. Those related party payables are non-interest bearing and due on demand.

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.

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 18 – RELATED PARTY TRANSACTIONS (CONTINUED)**

For the year ended December 31, 2022 and 2021, the Company employed five individuals related to Mr. Phipps who earned gross wages totaling \$55,786 and \$188,384, respectively.

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. On September 22, 2022, Mrs. Fernandez’s title was changed to Chief of Staff and Special Assistant to the Chairman of the Board, her salary remains the same. Previously Mrs. Fernandez was a consultant and earned compensation for her services of \$10,995, for the year ended December 31, 2022.

January Offering. The Company received gross proceeds from the sale of the Common Stock in the January Offering of approximately \$7.2 million, which closed on January 5, 2022. Approximately 73% of funds raised in the Offering were secured from existing shareholders, and from members of the Company’s senior management and Board of Directors. The following table represents the related party investment:

Investor	Position held at NextPlat	Shares of Common Stock Purchased	Aggregate Purchase Price
Charles M. Fernandez	Executive Chairman and Chief Executive Officer	679,013	\$ 2,200,002
David Phipps	Director and President of Orbsat. Chief Executive Officer of Global Operations	46,297	\$ 150,002
Douglas Ellenoff Shares are deemed to be indirectly beneficially owned through Sabrina Allan, Mr. Ellenoff’s wife. Mr. Ellenoff has the power to vote and dispose of the shares.	Vice Chairman and Chief Business Development Strategist	46,297	\$ 150,002
Louis Cusimano	Director	15,433	\$ 50,003
Paul R. Thomson	Senior Vice President – Mergers, Acquisitions and Special Projects	15,433	\$ 50,003

On January 20, 2022, the Company appointed Rodney Barreto, to its Board. Mr. Barreto was a participant of the January offering and purchased 370,701 shares of common stock for \$3.24 per share or approximately \$1.2 million. Mr. Barreto’s investment represented 17% of the total.

Progressive Care Inc. Following the consummation of the Company’s investment in Progressive Care Inc. on September 2, 2022, our Chairman and Chief Executive Officer, Charles M. Fernandez, and our board member, Rodney Barreto, were appointed to Progressive Care’s Board of Directors, with Mr. Fernandez appointed to serve as Chairman of Progressive Care’s Board of Directors and Mr. Barreto appointed to serve as a Vice Chairman of Progressive Care’s Board of Directors. On November 11, 2022, the Progressive Care board of directors elected Mr. Fernandez as the Chief Executive Officer of Progressive Care. In addition, on September 2, 2022, NextPlat, Messrs. Fernandez and Barreto and certain other purchasers purchased from Iliad Research and Trading, L.P. (“Iliad”) a Secured Convertible Promissory Note, dated March 6, 2019, made by Progressive Care to Iliad (the “Note”). The accrued and unpaid principal and interest under the note at the time of the purchase was approximately \$2.79 million. The aggregate purchase price paid to Iliad for the Note was \$2.3 Million of which NextPlat contributed \$1 million and Messrs. Fernandez and Barreto contributed \$400,000 each (the “Note Purchase”). In connection with the Note Purchase, NextPlat, Messrs. Fernandez and Barreto and the other purchasers of the Note entered into a Debt Modification Agreement with Progressive Care. In consideration of the concessions in the Debt Modification Agreement, Progressive Care issued 105,000 shares of its common stock to the purchasers of the Note, of which NextPlat, Charles Fernandez and Rodney Barreto, received 45,653, 18,261, and 18,261 shares, respectively, in each case after giving effect to a 1-for-200 reverse stock split enacted by Progressive Care on December 30, 2022.

Next Borough Capital Fund, LP. Mr. Charles M. Fernandez, the Chairman and Chief Executive Officer of the Company, and Mr. Rodney Barreto, a member of the Company’s Board of Directors (the “Board”) and Audit Committee Chairman, intend to participate in a newly formed fund – Next Borough Capital Fund, LP (“Next Borough Fund”) – with investors affiliated with Dawson James Securities, Inc., Robert Keyser and other groups and individuals that may have direct and indirect ownership interests in the Company. Next Borough Fund will be managed by Next Borough Capital Management, LLC (“Next Borough Manager”). eAperion Partners LLC, a company wholly owned by Mr. Fernandez, would own 33% of Next Borough Manager and that Mr. Barreto would own 5%. Mr. Fernandez would serve as the Chairman and Co-Portfolio Manager of Next Borough Manager and Mr. Barreto would serve as the Vice Chairman of Next Borough Manager.

December Offering. On December 14, 2022, the Company closed a private placement for the sale of 4,575,429 units (each, a “Unit”), each Unit consisting of (i) one share of the Company’s common stock, \$0.0001 par value per share (the “Common Stock”), and

(ii) one warrant to purchase one share of Common Stock (each, a “Warrant”). The offering price of the Units was \$1.75 per Unit. The Warrants included in the Units are exercisable at a price of \$1.75 per share and expire three years from the date of issuance. Related party investment represented 48%, of the approximately \$8.0 million of the funds raised.

<b>Investor</b>	<b>Position held at NextPlat</b>	<b>Shares of Common Stock Purchased</b>	<b>Warrants to purchase Common Stock</b>	<b>Aggregate Purchase Price</b>
eAperion Partners LLC, principal Charles M. Fernandez	Executive Chairman and Chief Executive Officer	1,085,714	1,085,714	\$ 1,900,000
David Phipps	Director and President of NextPlat. Chief Executive Officer of Global Operations	28,500	28,500	\$ 49,875
RLB Market Investments LLC, principal, Rodney Barreto	Director	1,085,714	1,085,714	\$ 1,900,000

**NEXTPLAT CORP AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 19 - CONCENTRATIONS**

**Customers:**

Amazon accounted for 54.3% and 63.6% of the Company's revenues during the years ended December 31, 2022 and 2021, respectively. No other customer accounted for 10% or more of the Company's revenues for either period.

**Suppliers:**

The following table sets forth information as to each supplier that accounted for 10% or more of the Company's purchases for the years ended December 31, 2022 and 2021.

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
Network Innovations	\$ 979,884	11.2%	\$ 658,642	10.6%
Garmin	\$ 1,821,158	20.9%	\$ 1,102,230	17.7%
Globalstar Europe	\$ 635,053	7.3%	\$ 725,315	11.6%
SatCom Global	\$ 743,883	8.5%	\$ 973,652	15.6%
Cygnus Telecom	\$ 1,837,273	21.1%	\$ 800,008	12.8%

**Geographic:**

The following table sets forth revenue as to each geographic location, for the years ended December 31, 2022 and 2021:

	<u>Year Ended December 31, 2022</u>		<u>Year Ended December 31, 2021</u>	
Europe	\$ 8,617,880	73.7%	\$ 5,146,336	66.5%
North America	2,150,742	18.3%	1,776,288	22.9%
South America	45,027	0.4%	37,139	0.5%
Asia & Pacific	760,447	6.5%	695,770	9.0%
Africa	136,046	1.1%	84,377	1.1%
	<u>\$ 11,710,142</u>	<u>100%</u>	<u>\$ 7,739,910</u>	<u>100%</u>

**NOTE 20 – SUBSEQUENT EVENTS**

On January 5, 2023, the Company received notice from The Nasdaq Stock Market, Inc. ("Nasdaq") that we are out of compliance with the Nasdaq rules for continued listing (Listing Rules 5620(a) and 5810(c)(2)(G)) as a result of our failure to hold an annual meeting of shareholders within twelve months of the end of its fiscal year ended December 31, 2021. The Company submitted a plan of compliance in response to the notice, which Nasdaq accepted, and was granted an exception of up to May 31, 2023, to regain compliance.

On January 27, 2023, the Company issued a press release (a copy of which is furnished herewith as exhibit 99.1) announcing that its 2023 Annual Meeting of Stockholders ("2023 Annual Meeting") will be held on Wednesday, May 31, 2023. The 2023 Annual Meeting will be a completely virtual meeting conducted via webcast. The close of business on April 3, 2023, shall be the record date for the determination of stockholders entitled to notice of and to vote during the 2023 Annual Meeting and any adjournment thereof.

On February 17, 2023 the Company entered into a master intercompany note with and between its subsidiaries, Orbital Satcom Corp. and Global Telesat Communications Limited (individually, "the Payor" or "the Payee"), under which all intercompany loans and advances are payable on demand. Each Payor promises also to pay interest, if any, on the unpaid principal amount of all such loans and advances in like money at said location from the date of such loans and advances until paid at such rate per annum as shall be agreed upon from time to time by such Payor and such Payee.

**Subsidiaries**

**Name of Incorporation**

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Orbital Satcom Corp.  
Global Telesat Communications Limited  
NextPlat B.V.

**State or Other Jurisdiction**

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Nevada  
England and Wales  
Netherlands

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**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in this Annual Report on Form 10-K of NextPlat Corp. and subsidiaries (the “Company”) as of and for the years ended December 31, 2022 and 2021 of our report dated March 31, 2023 included in its Registration Statements on Form S-3 (No. 333-269422, 333-268488 and 333-262748) relating to the consolidated financial statements.

*/s/ RBSM LLP*

New York, New York  
March 31, 2023

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Certifications

I, Charles M. Fernandez, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2022, of NextPlat Corp;
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: March 31, 2023

/s/ Charles M. Fernandez

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

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Certifications

I, Cecile Munnik, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2022, of NextPlat Corp;
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, considering 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: March 31, 2023

/s/ Cecile Munnik  
Cecile Munnik  
Chief Financial Officer  
(principal financial officer)

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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 Annual Report of NextPlat Corp (the "Company") on Form 10-K for the fiscal year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Charles M. Fernandez, Executive Chairman and Chief Executive Officer of the Company, and Cecile Munnik, Chief Financial Officer of the Company, each certifies, 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 of operations of the Company.

Date: March 31, 2023

By: /s/ Charles M. Fernandez

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

Date: March 31, 2023

By: /s/ Cecile Munnik

Cecile Munnik  
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.

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