

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

FORM 10-Q

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

For the quarterly period ended June 30, 2024

OR

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

For the transition period from _____ to _____.

Commission File Number 001-40447

NEXTPLAT CORP

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

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

65-0783722

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

33133
(Zip Code)

(305)-560-5355

Registrant's telephone number, including area code

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

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

Indicate by check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

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

<u>Class</u>	<u>Outstanding at August 9, 2024</u>
Common Stock, \$0.0001 par value	18,973,146

FORM 10-Q

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Part I Financial Information

Item 1. Condensed Consolidated Financial Statements

The unaudited condensed consolidated financial statements of NextPlat Corp. (“NextPlat,” the “Company,” “we,” or “our”), for the three and six months ended June 30, 2024 and for comparable periods in the prior year are included below. The financial statements should be read in conjunction with the notes to financial statements that follow.

NEXTPLAT CORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands, except shares and par data)

	June 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash	\$ 24,877	\$ 26,307
Accounts receivable, net	10,369	8,923
Receivables - other, net	1,013	1,846
Inventories, net	4,701	5,135
Unbilled revenue	206	189
VAT receivable	333	342
Prepaid expenses	273	640
Notes receivable due from related party	265	256
Total Current Assets	42,037	43,638
Property and equipment, net	3,694	3,989
Goodwill	156	731
Intangible assets, net	4,564	14,423
Operating right of use assets, net	887	1,566
Finance right-of-use assets, net	18	22
Deposits	39	39
Prepaid expenses, net of current portion	66	61
Total Other Assets	5,730	16,842
Total Assets	\$ 51,461	\$ 64,469
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$ 11,894	\$ 13,176
Contract liabilities	142	42
Notes payable	205	312
Due to related party	23	18
Operating lease liabilities	380	532
Finance lease liabilities	13	18
Income taxes payable	93	139
Total Current Liabilities	12,750	14,237
Long Term Liabilities:		
Notes payable, net of current portion	1,120	1,211
Operating lease liabilities, net of current portion	619	929
Finance lease liabilities, net of current portion	-	5
Total Liabilities	14,489	16,382
Commitments and Contingencies		
	-	-
Equity		
Preferred stock (\$0.0001 par value; 3,333,333 shares authorized)	-	-
Common stock (\$0.0001 par value; 50,000,000 shares authorized, 18,973,146 and 18,724,596 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively)	2	2
Additional paid-in capital	68,348	67,170
Accumulated deficit	(41,717)	(34,925)
Accumulated other comprehensive loss	(99)	(63)
Equity attributable to NextPlat Corp stockholders	26,534	32,184
Equity attributable to non-controlling interests	10,438	15,903
Total Equity	36,972	48,087
Total Liabilities and Equity	\$ 51,461	\$ 64,469

See accompanying notes to condensed consolidated financial statements.

NEXTPLAT CORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands, except per share data)

	Three Months Ended June 30, 2024 (Unaudited)	Three Months Ended June 30, 2023 (Unaudited)	Six Months Ended June 30, 2024 (Unaudited)	Six Months Ended June 30, 2023 (Unaudited)
Sales of products, net	\$ 14,030	\$ 2,957	\$ 28,150	\$ 5,834
Revenues from services	2,959	-	6,332	-
Revenue, net	<u>16,989</u>	<u>2,957</u>	<u>34,482</u>	<u>5,834</u>
Cost of products	11,120	2,113	23,741	4,369
Cost of services	63	-	126	-
Cost of revenue	<u>11,183</u>	<u>2,113</u>	<u>23,867</u>	<u>4,369</u>
Gross profit	5,806	844	10,615	1,465
Operating expenses:				
Selling, general and administrative	2,218	2,519	4,220	3,308
Salaries, wages and payroll taxes	2,785	968	5,409	1,556
Impairment loss	9,792	-	9,924	-
Professional fees	1,004	544	1,989	865
Depreciation and amortization	903	168	1,810	330
Total operating expenses	<u>16,702</u>	<u>4,199</u>	<u>23,352</u>	<u>6,059</u>
Loss before other (income) expense	(10,896)	(3,355)	(12,737)	(4,594)
Other (income) expense:				
Gain on sale or disposal of property and equipment	-	-	(1)	-
Interest expense	19	5	41	10
Interest earned	(197)	(172)	(412)	(183)
Other income	-	(266)	-	(316)
Foreign currency exchange rate variance	5	(40)	31	(69)
Total other income	<u>(173)</u>	<u>(473)</u>	<u>(341)</u>	<u>(558)</u>
Loss before income taxes and equity in net loss of affiliate	(10,723)	(2,882)	(12,396)	(4,036)
Income taxes	(20)	(52)	(47)	(52)
Loss before equity in net loss of affiliate	<u>(10,743)</u>	<u>(2,934)</u>	<u>(12,443)</u>	<u>(4,088)</u>
Equity in net loss of affiliate	-	(1,407)	-	(1,440)
Net loss	<u>(10,743)</u>	<u>(4,341)</u>	<u>(12,443)</u>	<u>(5,528)</u>
Net loss attributable to non-controlling interest	5,432	-	5,652	-
Net loss attributable to NextPlat Corp	<u>\$ (5,311)</u>	<u>\$ (4,341)</u>	<u>\$ (6,791)</u>	<u>\$ (5,528)</u>
Comprehensive loss:				
Net loss	\$ (10,743)	\$ (4,341)	\$ (12,443)	\$ (5,528)
Foreign currency loss	(27)	(12)	(9)	(35)
Comprehensive loss	<u>\$ (10,770)</u>	<u>\$ (4,353)</u>	<u>\$ (12,452)</u>	<u>\$ (5,563)</u>
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ (5,311)</u>	<u>\$ (4,341)</u>	<u>\$ (6,791)</u>	<u>\$ (5,528)</u>
Weighted number of common shares outstanding – basic and diluted	<u>18,824</u>	<u>18,072</u>	<u>18,774</u>	<u>16,254</u>
Loss per share - basic and diluted	<u>\$ (0.28)</u>	<u>\$ (0.24)</u>	<u>\$ (0.36)</u>	<u>\$ (0.34)</u>

See the accompanying notes to condensed consolidated financial statements.

NEXTPLAT CORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands, except per share data)
(Unaudited)

For the Three and Six Months Ended June 30, 2024

	Common Stock		Additional		Comprehensive Loss	Stockholders' Equity	Non-controlling Interests	Total Equity
	\$0.0001 Par Value Shares	Amount	Paid in Capital	Accumulated Deficit				
Balance, December 31, 2023	18,725	\$ 2	\$ 67,170	\$ (34,925)	\$ (63)	\$ 32,184	\$ 15,903	\$ 48,087
Stock-based compensation in connection with options granted	-	-	160	-	-	160	-	160
Stock-based compensation in connection with restricted stock awards	-	-	387	-	-	387	65	452
Capital contribution of non-controlling interests	-	-	-	-	-	-	122	122
Comprehensive loss	-	-	-	-	(27)	(27)	-	(27)
Net Loss	-	-	-	(1,481)	-	(1,481)	(220)	(1,701)
Balance, March 31, 2024	18,725	\$ 2	\$ 67,717	\$ (36,406)	\$ (90)	\$ 31,223	\$ 15,870	\$ 47,093
Stock-based compensation in connection with options granted	-	-	159	-	-	159	-	159
Issuance of common stock related to restricted stock award	200	-	387	-	-	387	-	387
Issuance of common stock related to exercise of warrants	48	-	85	-	-	85	-	85
Comprehensive loss	-	-	-	-	(9)	(9)	-	(9)
Net loss	-	-	-	(5,311)	-	(5,311)	(5,432)	(10,743)
Balance, June 30, 2024	18,973	\$ 2	\$ 68,348	\$ (41,717)	\$ (99)	\$ 26,534	\$ 10,438	\$ 36,972

For the Three and Six Months Ended June 30, 2023

	Common Stock		Additional		Comprehensive Loss	Stockholders' Equity	Non-controlling Interests	Total Equity
	\$0.0001 Par Value Shares	Amount	Paid in Capital	Accumulated Deficit				
Balance, December 31, 2022	14,402	\$ 1	\$ 56,963.00	\$ (31,147)	\$ (41)	\$ 25,776	\$ -	\$ 25,776
Issuance of common related to restricted stock award	39	-	61	-	-	61	-	61
Comprehensive loss	-	-	-	-	(23)	(23)	-	(23)
Net loss	-	-	-	(1,187)	-	(1,187)	-	(1,187)
Balance, March 31, 2023	14,441	\$ 1	\$ 57,024	\$ (32,334)	\$ (64)	\$ 24,627	\$ -	\$ 24,627
Issuance of common stock related to April offering	3,429	1	5,999	-	-	6,000	-	6,000
Issuance of common stock related to exercise of warrants	105	-	184	-	-	184	-	184
Issuance of common stock related to restricted stock award	725	-	1,183	-	-	1,183	-	1,183
Stock-based compensation in connection with options granted	-	-	781	-	-	781	-	781
Comprehensive loss	-	-	-	-	(12)	(12)	-	(12)
Net loss	-	-	-	(4,341)	-	(4,341)	-	(4,341)
Balance, June 30, 2023	18,700	\$ 2	\$ 65,171	\$ (36,675)	\$ (76)	\$ 28,422	\$ -	\$ 28,422

See accompanying notes to condensed consolidated financial statements.

NEXTPLAT CORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED
(In thousands)

	June 30, 2024 (Unaudited)	June 30, 2023 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (12,443)	\$ (5,528)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	399	317
Change in provision for doubtful accounts	(54)	-
Amortization of intangible assets	1,398	13
Amortization of right-of-use assets - operating leases	244	98
Amortization of right-of-use assets - finance leases	13	-
Write-off of right of use asset	111	-
Equity in net loss of affiliate	-	1,440
Stock-based compensation	1,158	2,025
Impairment loss	9,924	-
Gain on sale or disposal of property and equipment	(1)	-
Change in operating assets and liabilities:		
Accounts receivable	(513)	(205)
Inventories	571	(780)
Unbilled revenue	(17)	(34)
Prepaid expense	374	(302)
Notes receivable	16	-
VAT receivable	9	-
Accounts payable and accrued expenses	(1,349)	(234)
Operating lease liabilities	(273)	(87)
Income taxes payable	(46)	67
Contract liabilities	100	22
Liabilities from discontinued operations	-	(112)
Net cash used in operating activities	\$ (379)	\$ (3,300)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(124)	(103)
Capital contributions to equity method investee	-	(1,000)
Proceeds from sale or disposal of property and equipment	1	-
Cash acquired in acquisition of Outfitter Satellite subsidiary	236	-
Cash paid in acquisition of Outfitter Satellite subsidiary	(1,094)	-
Net cash used in investing activities	\$ (981)	\$ (1,103)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of note payable, related party, net	-	(9)
Proceeds from common stock offering	-	6,000
Proceeds from exercise of warrants	85	184
Capital contribution of non-controlling interest	122	-
Payments on finance lease liabilities	(13)	-
Repayments of notes payable	(228)	(22)
Net cash (used in) provided by financing activities	\$ (34)	\$ 6,153
Effect of exchange rate on cash	(36)	(35)
Net decrease in cash	(1,430)	1,715
Cash beginning of period	26,307	18,891
Cash end of period	\$ 24,877	\$ 20,606
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the period for		
Interest	\$ 371	\$ 173
Income taxes	\$ 74	\$ -

See the accompanying notes to condensed consolidated financial statements.

NEXTPLAT CORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Unless the context requires otherwise, references to the “Company”, “we”, “us”, “our”, “our Company”, or “our business” refer to NextPlat Corp and its subsidiaries.

Note 1. Organization and Nature of Operations.

The term “Company” refers to NextPlat Corp and its wholly-owned, majority owned and controlled subsidiaries, except where the context requires otherwise or where otherwise indicated.

NextPlat Corp:

NextPlat Corp, a Nevada corporation (the “Company”, “NextPlat”, “we”), formerly Orbsat Corp was incorporated in 1997. The Company operates two main e-commerce websites as well as 25 third-party e-commerce storefronts on 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 a comprehensive system 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. In addition, we provide a comprehensive array of Satellite Industry communication services and related equipment sales.

Our 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 we acquired all of the outstanding equity in GTC.

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

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 April 1, 2024, NextPlat acquired 100% of the ownership interest of Outfitter Satellite, Inc., a Tennessee corporation (“Outfitter”) in a stock purchase transaction. Outfitter is a wholly-owned subsidiary of NextPlat Corp.

Progressive Care Inc.:

Our controlled subsidiary, Progressive Care Inc. (“Progressive Care”) was incorporated under the laws of the state of Delaware on October 31, 2006.

Progressive, through its wholly-owned subsidiaries, Pharmco, LLC (“Pharmco 901”), Touchpoint RX, LLC doing business as Pharmco Rx 1002, LLC (“Pharmco 1002”), Family Physicians RX, Inc. doing business as PharmcoRx 1103 and PharmcoRx 1204 (“FPRX” or “Pharmco 1103” and “Pharmco 1204”) (pharmacy subsidiaries collectively referred to as “Pharmco”), and ClearMetrX Inc. (“ClearMetrX”) is a personalized healthcare services and technology company that provides prescription pharmaceuticals and risk and data management services to healthcare organizations and providers.

NEXTPLAT CORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Pharmco 901 was formed on November 29, 2005 as a Florida Limited Liability Company and is a 100% owned subsidiary of Progressive Care. Pharmco 901 was acquired by Progressive on October 21, 2010. Progressive currently delivers prescriptions to Florida's diverse population and ships medications to patients in states where they hold non-resident pharmacy licenses as well. Progressive currently holds Florida Community Pharmacy Permits at all Florida pharmacy locations and the Pharmco 901 location is licensed as a non-resident pharmacy in the following states: Arizona, Colorado, Connecticut, Georgia, Illinois, Minnesota, Nevada, New Jersey, New York, Pennsylvania, Texas, and Utah. Progressive is able to dispense to patients in the state of Massachusetts without a non-resident pharmacy license because Massachusetts does not require such a license for these activities.

Pharmco 1103 is a pharmacy with locations in North Miami Beach and Orlando, Florida that provides Pharmco's pharmacy services to Miami-Dade County, Broward County, the Orlando/Tampa corridor, and the Treasure Coast of Florida. Progressive acquired all the ownership interests in Pharmco 1103 in a purchase agreement entered into on June 1, 2019.

Pharmco 1002 is a pharmacy located in Palm Springs, Florida that provides Pharmco's pharmacy services to Palm Beach, St. Lucie and Martin Counties, Florida. Progressive acquired all the ownership interests in Pharmco 1002 in a purchase agreement entered into on July 1, 2018.

ClearMetrX was formed on June 10, 2020 and provides third-party administration ("TPA") services to 340B covered entities. ClearMetrX also provides data analytics and reporting services to support and improve care management for health care organizations.

RXMD Therapeutics was formed on October 1, 2019. RXMD Therapeutics has had no operating activity to date.

Florida Sunshine Brands, LLC:

Florida Sunshine Brands, LLC ("Florida Sunshine") is a Florida limited liability company and incorporated December 6, 2023. Florida Sunshine operates under an operating agreement between NextPlat, with a 51% ownership, and Outer Brands FS, LLC, with a 49% ownership. Florida Sunshine's main objective is to source and sell vitamins and nutritional supplements.

Plan of Reorganization - Progressive Care Merger:

On April 12, 2024, the Company entered into a Merger Agreement and Plan of Reorganization (the "Merger Agreement") with Progressive Care, and Progressive Care LLC, a Nevada limited liability company and a direct, wholly owned subsidiary of the Company ("Merger Sub"). Pursuant to the terms of the Merger Agreement and subject to the approval of the shareholders of NextPlat and Progressive Care, the Company, Progressive Care and Merger Sub will enter into a business combination transaction pursuant to which Progressive Care will merge with and into Merger Sub (the "Merger"), with Merger Sub being the surviving entity of the Merger. Following the Merger, Progressive Care will be a wholly-owned subsidiary of NextPlat.

The Merger Agreement and the transactions contemplated thereby were negotiated and approved by a Special Committee comprised of three of the Company's independent directors. The Merger Agreement was also approved by the entirety of the Company's board of directors.

The Company's shareholders will consider a proposal to approve the Merger at the Company's annual meeting which is set to occur on September 13, 2024. Shareholders of record on July 29, 2024 will be entitled to vote at the Company's annual meeting.

NEXTPLAT CORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 2. Basis of Presentation and Principles of Consolidation

The accompanying Condensed Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), consistent in all material respects with those applied in the 2023 Form 10-K, for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all information and footnotes normally included in annual consolidated financial statements and should be read in conjunction with the consolidated financial statements and notes thereto included in the 2023 Form 10-K. In the opinion of management, the Condensed Consolidated Financial Statements contain all adjustments (consisting principally of normal recurring accruals) necessary for a fair presentation of the condensed consolidated balance sheets, statements of comprehensive loss, statements of changes in equity and statements of cash flows for such interim periods presented. Additionally, operating results for interim periods are not necessarily indicative of the results that can be expected for a full year.

Business acquisition of Progressive Care, Inc.

On July 1, 2023, the Company, Charles M. Fernandez, Executive Chairman and Chief Executive Officer of the Company, and Rodney Barreto, Director of the Company, exercised common stock purchase warrants and were issued shares of Progressive Care common stock. After the exercise of the common stock purchase warrants, the Company and Messrs. Fernandez and Barreto collectively owned 53% of Progressive Care’s voting stock. At the time of exercise, all of the above common stock purchase warrants were in-the-money. Also on July 1, 2023, the Company and Messrs. Fernandez and Barreto entered into a voting agreement whereby at any annual or special shareholders meeting of Progressive Care’s stockholders, and whenever the holders of Progressive Care common stock act by written consent, Messrs. Fernandez and Barreto agreed to vote all of the Progressive Care common stock (including any new shares acquired after the date of the voting agreement or acquired through the conversion of securities convertible into Common Stock) that they own, directly or indirectly, in the same manner that NextPlat votes its common stock and equivalents. The voting agreement is irrevocable and perpetual in term.

The exercise of the stock options, along with the entry into the voting agreement, resulted in a change in control of Progressive Care under the voting interest model in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 805, *Business Combination*, and was accounted for as a business acquisition. Therefore, Progressive Care became a consolidated subsidiary of the Company on July 1, 2023. The Company previously accounted for its equity interest in Progressive Care as an equity method investment.

Business acquisition of Outfitter Satellite, Inc.

On March 25, 2024, the Company entered into a Stock Purchase Agreement with James T. McKinley, pursuant to which the Company agreed to purchase all of the issued and outstanding shares of common stock of Out fitter Satellite, Inc. (“Outfitter”). The closing of the transaction occurred on April 1, 2024. Outfitter is a wholly-owned subsidiary of NextPlat Corp.

Outfitter provides consumers, commercial and government customers, with advanced satellite-based connectivity solutions from leading brands, including Iridium, Inmarsat and Globalstar.

The accompanying Unaudited Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

NEXTPLAT CORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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, assumptions used to calculate stock-based compensation, fair value of net assets acquired in the business combination with Progressive Care and Outfitter common stock and options issued for services, net realizable value of accounts receivables and other 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, pharmacy benefit manager ("PBM") fee estimates, and the estimates of the valuation allowance on deferred tax assets.

Note 3. Summary of Significant Accounting Policies

The significant accounting policies of the Company were described in Note 1 to the Audited Consolidated Financial Statements included in the Company's Form 10-K for the fiscal year ended December 31, 2023. There have been no material changes to the Company's significant accounting policies for the six months ended June 30, 2024.

Cash

The Company places its cash with high credit quality financial institutions. The Company's account at these institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. All cash amounts in excess of \$250,000, approximately \$4.4 million, are unsecured. The Company has a deposit placement agreement for Insured Cash Sweep Service ("ICS"). This service is a secure, and convenient way to access FDIC protection on large deposits, earn a return, and enjoy flexibility. The Company believes that the ICS agreement will mitigate its credit risk as it relates to uninsured FDIC amounts in excess of \$250,000.

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 condensed consolidated statements of comprehensive loss.

The relevant translation rates are as follows: for the six months ended June 30, 2024, closing rate at \$1.28 US\$: GBP, quarterly average rate at \$1.27 US\$: GBP, for the six months ended June 30, 2023, closing rate at \$1.23 US\$: GBP, quarterly average rate at \$1.22 US\$: GBP, for the year ended December 31, 2023 closing rate at 1.27 US\$: GBP, yearly average rate at 1.24 US\$: GBP.

Unearned Revenue

Contract liabilities are shown separately in the condensed consolidated balance sheets as current liabilities. At June 30, 2024 and December 31, 2023, we had contract liabilities of approximately \$142,000 and \$42,000, respectively.

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Direct and Indirect Remuneration (“DIR”) Fees

Progressive Care reports DIR fees as a reduction of revenue on the accompanying Consolidated Statements of Operations. DIR fees are fees charged by PBMs to pharmacies for network participation as well as periodic reimbursement reconciliations. The Company accrues an estimate of PBM fees, including DIR fees, which are assessed or expected to be assessed by payers at some point after adjudication of a claim, as a reduction of prescription revenue at the time revenue is recognized. Changes in the estimate of such fees are recorded as an adjustment to revenue when the change becomes known. Through December 31, 2023, for some PBMs, DIR fees were charged at the time of the settlement of a pharmacy claim. Other PBMs do not determine DIR fees at the claim settlement date, and therefore DIR fees are collected from pharmacies after claim settlement, often as clawbacks of reimbursements based on factors that vary from plan to plan. For example, two PBMs calculate DIR fees on a trimester basis and charge the Company for these fees as reductions of reimbursements paid to the Company two to three months after the end of the trimester (e.g., DIR fees for January – April 20xx claims were clawback by these PBMs in July – August 20xx). As of December 31, 2023, DIR fees that were not collected at the time of claim settlement, the Company recorded an accrued liability for estimated DIR fees that are expected to be collected by the PBMs by the end of the second quarter of 2024. The estimated liability for these fees is highly subjective and the actual amount collected may differ from the accrued liability. The uncertainty of management’s estimates is due to inadequate disclosure to the Company by the PBMs as to exactly how these fees are calculated either at the time the DIR fees are actually assessed and reported to the Company. The detail level of the disclosure of assessed DIR fees varies based on the information provided by the PBM. Effective January 1, 2024, all PBMs began charging DIR fees at the time of the settlement of a pharmacy claim.

Recent Accounting Pronouncements

Accounting Pronouncements Issued but not yet Adopted

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, “Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures” (“ASU 2023-07”), which improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. ASU 2023-07 is required to be adopted for annual periods beginning after December 15, 2023, and interim period within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company will adopt the standard in its interim reporting beginning with Q1-2025, and the Company will adopt the standard in its annual reporting for the year ending December 31, 2024. The Company expects that the adoption of the standard will not have a material impact on our consolidated financial statements but will enhance our current disclosures.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740)—Improvements to Income Tax Disclosure” (“ASU 2023-09”), which establishes new income tax disclosure requirements in addition to modifying and eliminating certain existing requirements. ASU 2023-09 is required to be adopted for annual periods beginning after December 15, 2024, with early adoption permitted. The Company will adopt this accounting standard update effective January 1, 2025. The Company expects that the adoption of the standard will not have a material impact on our consolidated financial statements.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to be relevant or have a material impact on the condensed consolidated financial statements upon adoption.

Subsequent Events

The Company has evaluated subsequent events through August 13, 2024, the date the condensed consolidated financial statements were available to be issued.

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Note 4. Fair Value

Accounting standards define fair value as the price that would be received from selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value and also establishes the following three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

- *Cash, accounts receivable, and accounts payable and accrued liabilities:* The amounts reported in the accompanying Condensed Consolidated Balance Sheets approximate fair value due to their short-term nature.
- *Notes payable and lease liabilities:* The carrying amount of notes payable approximated fair value due to variable interest rates at customary terms and rates the Company could obtain in current financing. The carrying value of lease liabilities approximated fair value due to the implicit rate in the lease in relation to the Company's borrowing rate and the duration of the leases (Level 2 inputs).

Identifiable Intangible Assets

The initial recognition of Progressive Care's identifiable intangible assets, resulting from the acquisition on July 1, 2023 and the application of push-down accounting, were measured using Level 3 inputs. The fair value at the date of acquisition was approximately \$14.7 million.

The initial recognition of the Outfitter identifiable intangible assets, resulting from the acquisition on April 1, 2024, were measured using Level 3 inputs. The fair value at the date of acquisition was approximately \$0.6 million.

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Note 5. Business Acquisition - Provisional

On March 25, 2024, the Company entered into a Stock Purchase Agreement with James T. McKinley, pursuant to which the Company agreed to purchase all of the issued and outstanding shares of common stock of Outfitter. The closing of the transaction occurred on April 1, 2024.

Outfitter provides consumers, commercial and government customers, with advanced satellite-based connectivity solutions from leading brands, including Iridium, Inmarsat and Globalstar.

Final purchase accounting adjustments may be materially different from the amount presented below in the purchase price allocation. Increases or decreases in the fair value of the net assets may change the amount of the purchase price allocated to goodwill and other assets and liabilities. Measurement period adjustments will be recognized prospectively. The measurement period is not to exceed 12 months from the respective dates of acquisition.

The following table summarizes the consideration transferred to acquire Outfitter and the amounts of identified assets acquired and liabilities assumed at the acquisition date (in thousands):

	Purchase Price Allocation (in thousands)
Total purchase consideration	\$ 1,094
Identifiable net assets acquired - Provisional:	
Cash	\$ 236
Accounts receivable, net	73
Inventory	137
Prepaid expenses	11
Property and equipment, net	5
Right of use assets, net	109
Intangible assets, net:	
Trade name (1)	185
Customer records (2)	415
Accounts payable and accrued expenses	(124)
Notes payable and accrued interest - current portion	(53)
Lease liabilities - current portion	(56)
Deferred tax liabilities (3)	(145)
Net assets acquired	<u>\$ 793</u>
Goodwill	<u>\$ 301</u>

(1) 10 year amortization period

(2) 5 year amortization period

(3) Under federal tax law, previously unidentified finite lived intangible assets recognized from a business combination have no tax basis and therefore are not amortized for tax purposes. This tax position created a book/tax basis difference at April 1, 2024, the date of the business combination transaction. Therefore, an approximate \$0.1 million deferred tax liability was recorded at April 1, 2024 as a result of the book/tax basis difference for the finite lived intangible assets.

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise after NextPlat's acquisition of Outfitter. The goodwill is not deductible for tax purposes.

The initial recognition of Outfitter's identifiable intangible assets, resulting from the acquisition on April 1, 2024, were measured using Level 3 inputs. The fair value at the date of acquisition was approximately \$0.6 million and were estimated by applying an income approach. The fair value estimates for the identifiable intangible assets are based on (1) an assumed discount rate of 37.3% (2) an assumed capitalization rate of 34.3% (3) assumed long-term growth rate of 3.0% (4) an assumed royalty rate of 1.8% (5) an assumed tax rate of 26.3% (6) an assumed risk free rate of 4.5% (7) an assumed equity risk premium of 6.5% (8) an assumed company specific risk premium rate of 22.5% (9) an assumed beta of 0.82.

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Note 6. Revenue

e-Commerce 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 and accepted by the customer 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.

Healthcare revenue:

The Company recognizes pharmacy revenue and 340B contract revenue from dispensing prescription drugs at the time the drugs are physically delivered to a customer or when a customer picks up their prescription or purchases merchandise at the store, which is the point in time when control transfers to the customer. Each prescription claim is considered an arrangement with the customer and is a separate performance obligation. Payments are received directly from the customer at the point of sale, or the customers' insurance provider is billed electronically. For third-party medical insurance and other claims, authorization is obtained to ensure payment from the customer's insurance provider before the medication is dispensed to the customer. Authorization is obtained for these sales electronically and a corresponding authorization number is issued by the customers' insurance provider.

All pharmacy benefit manager ("PBM") fees, including direct and indirect remuneration ("DIR") fees, are charged at the time of the settlement of a pharmacy claim.

The Company recognizes COVID-19 testing revenue when the tests are performed and results are delivered to the customer. Each test is considered an arrangement with the customer and is a separate performance obligation. Payment is generally received in advance from the customer.

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The following table disaggregates net revenues by categories (in thousands):

	Three Months Ended June 30,	
	2024	2023
Sales of products, net:		
Pharmacy prescription and other revenue, net of PBM fees	\$ 10,521	\$ -
e-Commerce revenue	3,512	2,957
Sub total	14,033	2,957
Revenues from services:		
Pharmacy 340B contract revenue	2,956	-
Revenues, net	\$ 16,989	\$ 2,957
	Six Months Ended June 30,	
	2024	2023
Sales of products, net:		
Pharmacy prescription and other revenue, net of PBM fees	\$ 21,845	\$ -
e-Commerce revenue	6,377	5,834
Sub total	28,222	5,834
Revenues from services:		
Pharmacy 340B contract revenue	6,260	-
Revenues, net	\$ 34,482	\$ 5,834

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Note 7. Loss per Share

Net income (loss) per common share is calculated in accordance with Accounting Standards Codification (“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 components of basic and diluted EPS were as follows (in thousands, except per share data).

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net loss attributable to NextPlat Corp common shareholders	\$ (5,311)	\$ (4,341)	\$ (6,791)	\$ (5,528)
Basic weighted average common shares outstanding	18,824	18,072	18,774	16,254
Potentially dilutive common shares	-	-	-	-
Diluted weighted average common shares outstanding	18,824	18,072	18,774	16,254
Weighted average loss per common share - basic and diluted	<u>\$ (0.28)</u>	<u>\$ (0.24)</u>	<u>\$ (0.36)</u>	<u>\$ (0.34)</u>
Potentially dilutive common shares excluded from the calculation of diluted weighted average loss per common share:				
Stock options	9	240	60	175
Common stock purchase warrants	-	1,419	-	583
	<u>9</u>	<u>1,659</u>	<u>60</u>	<u>758</u>

Note 8. Accounts Receivable

At June 30, 2024 and December 31, 2023, accounts receivable consisted of the following (in thousands):

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Gross accounts receivable – trade	\$ 10,587	\$ 9,195
Less: allowance for doubtful accounts	(218)	(272)
Accounts receivable – trade, net	<u>\$ 10,369</u>	<u>\$ 8,923</u>

The Company decreased the allowance for credit losses in the amount of approximately \$54,000 and \$0 for the six months ended June 30, 2024 and 2023, respectively.

Accounts receivable – trade, net for the Company as of January 1, 2023 and June 30, 2023 were approximately \$0.4 million and \$0.6 million, respectively.

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Note 9. Inventory

At June 30, 2024 and December 31, 2023, inventory consisted of the following (in thousands):

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Finished goods	\$ 4,747	\$ 5,195
Less reserve for obsolete inventory	(46)	(60)
Total	\$ 4,701	\$ 5,135

Note 10. 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. As of June 30, 2024 and December 31, 2023, the Company recorded a receivable in the amount of approximately \$333,000 and \$342,000, respectively, for amounts available to reclaim against the tax liability from UK and EU countries.

Note 11. Prepaid Expenses

Prepaid expenses current and long term amounted to approximately \$273,000 and \$66,000, respectively at June 30, 2024, as compared to \$640,000 and \$61,000, respectively at December 31, 2023. Prepaid expenses include prepayments in cash for accounting fees, public company expenses, insurance, 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.

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Note 12. Property and Equipment, net

Property and equipment, net consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
Building	\$ 2,116	\$ 2,116
Vehicles	603	595
Office furniture and fixtures	543	527
Land	184	184
Leasehold improvements	172	124
Computer equipment	117	117
Rental equipment	80	60
Appliques	2,160	2,160
Website development	615	587
Construction in progress	-	22
Property and equipment gross	<u>6,590</u>	<u>6,492</u>
Less: accumulated depreciation	<u>(2,896)</u>	<u>(2,503)</u>
Property and equipment, net	<u>\$ 3,694</u>	<u>\$ 3,989</u>

Depreciation expense was approximately \$399,000 and \$317,000 for the six months ended June 30, 2024 and 2023, respectively.

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Note 13. Goodwill and Intangible Assets, net**Goodwill**

During the three months ended June 30, 2024, the Company concluded that the carrying amount of the Healthcare Operations reporting segment exceeded its fair value, resulting in the recognition of a non-cash goodwill impairment charge of approximately \$0.7 million. An interim impairment assessment was considered necessary as a result of the sustained decline in the Healthcare Operations stock price and related market capitalization. The goodwill impairment charge is reflected in the Impairment losses in the Condensed Consolidated Statements of Operations. With the assistance of a third-party valuation firm, the fair value of the Healthcare Operations reporting segment was determined using an income approach whereby the fair value was calculated utilizing discounted estimated future cash flows (level 3 nonrecurring fair value measurement). The income approach requires several assumptions including estimation of future cash flows, which is dependent on internally-developed forecasts of revenue and profitability, estimation of the long-term rate of growth for the business, estimation of the useful life over which cash flows will occur, and determination of the weighted average cost of capital, which is risk-adjusted to reflect the specific risk profile of the reporting unit. The long-term growth rate used in the impairment was 3.0% and the weighted average cost of capital used in the impairment was 13.5%.

The following table reflects changes in the carrying amount of goodwill during the periods presented by reportable segments (in thousands):

	e-Commerce Operations	Healthcare Operations	Total
Goodwill, net as of December 31, 2023	\$ -	\$ 731	\$ 731
Changes in Goodwill during the year period ended June 30, 2024:			
Goodwill acquired	301	-	301
Deferred tax effect of intangible basis difference (1)	(145)	-	(145)
Impairment loss	-	(731)	(731)
Goodwill, net as of June 30, 2024	\$ 156	\$ -	\$ 156

(1) Decrease related to book tax basis difference of intangible assets arising for the business acquisition of Outfitter.

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Intangibles

During the three months ended June 30, 2024, the Company performed an impairment assessment of long-lived assets as it relates to the Healthcare Operations reporting segment due to the decline in future projected revenues and cash flows. As a result, the Company completed a recoverability test and concluded that the asset groups were not fully recoverable as the undiscounted expected future cash flows did not exceed their carrying amounts. The Company, with the assistance of a third-party valuation firm, determined the fair value of the asset groups using an income approach utilizing undiscounted estimated future cash flows (level 3 nonrecurring fair value measurement). The income approach requires several assumptions including estimation of future cash flows, which is dependent on internally-developed forecasts of revenue and profitability, and estimation of the useful life over which cash flows will occur. The carrying amount of certain assets in the asset group exceeded the fair value, resulting in the recognition of a non-cash impairment charge to intangible assets of approximately \$9.1 million for the three months ended June 30, 2024 (reflected in the Impairment losses in the Condensed Consolidated Statements of Operations). Furthermore, the Company reevaluated the useful lives of intangible assets and determined that the trade names decreased from a 10-year to a 5-year useful life, while the pharmacy records remained at a 5-year useful life. The net amount after impairment of the intangible assets will be amortized over the remaining useful lives of four years.

Intangible assets, net consisted of the following (in thousands):

	June 30, 2024		
	(Unaudited)		
	Gross amount	Accumulated amortization	Net Amount
Pharmacy records	\$ 2,447	\$ —	\$ 2,447
Trade names	1,530	—	1,530
Developed technology	—	—	-
Customer Contracts	850	(263)	587
Total intangible assets	\$ 4,827	\$ (263)	\$ 4,564

	December 31, 2023		
	(Audited)		
	Gross amount	Accumulated amortization	Net Amount
Pharmacy records	\$ 8,130	\$ (807)	\$ 7,323
Trade names	4,700	(224)	4,476
Developed technology	2,880	(281)	2,599
Customer Contracts	250	(225)	25
Total intangible assets	\$ 15,960	\$ (1,537)	\$ 14,423

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A summary of the changes to the gross carrying amount, accumulated amortization, and net book value of total intangible assets by reporting unit during the six months ended June 30, 2024 were as follows (in thousands):

	e-Commerce Operations	Healthcare Operations	Total
Balances at December 31, 2023:			
Gross amount	\$ 250	\$ 15,710	\$ 15,960
Accumulated amortization	(225)	(1,312)	(1,537)
Net amount	25	14,398	14,423
Changes during the six months ended June 30, 2024:			
Acquisition	600	—	600
Accumulated amortization expense	(38)	(1,360)	(1,398)
Impairment - gross amount	—	(11,733)	(11,733)
Impairment - accumulated amortization	—	2,672	2,672
Net amount	562	(10,421)	(9,859)
Balances at June 30, 2024:			
Gross amount	850	3,977	4,827
Accumulated amortization	(263)	—	(263)
Net amount	<u>\$ 587</u>	<u>\$ 3,977</u>	<u>\$ 4,564</u>

Amortization of customer contracts is included in depreciation and amortization in the accompanying Condensed Consolidated Statements of Comprehensive Income (Loss). For the six months ended June 30, 2024 and 2023, the Company recognized amortization expense of approximately \$1.4 million and \$12,500, respectively. Future amortization of intangible assets is as follows (in thousands):

Year	Amount
2024 (remaining six months)	\$ 560
2025	1,096
2026	1,096
2027	1,096
2028	600
Thereafter	116
Total	<u>\$ 4,564</u>

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Note 14. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following (in thousands):

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Accounts payable	\$ 11,349	\$ 12,142
Accrued wages and payroll liabilities	199	200
Accrued PBM fees	-	571
Customer deposits payable	158	76
Accrued other liabilities	188	187
Total	<u>\$ 11,894</u>	<u>\$ 13,176</u>

Note 15. Notes Payable

Notes payable consisted of the following (in thousands):

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
A. Mortgage note payable - commercial bank - collateralized	\$ 1,096	\$ 1,140
B. Note payable - uncollateralized	25	25
C. Notes payable - collateralized	204	255
Insurance premiums financing	—	103
Subtotal	<u>1,325</u>	<u>1,523</u>
Less: current portion of notes payable	(205)	(312)
Long-term portion of notes payable	<u>\$ 1,120</u>	<u>\$ 1,211</u>

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(A) Mortgage Note Payable – collateralized

In 2018, Progressive Care closed on the purchase of land and building located at 400 Ansin Boulevard, Hallandale Beach, Florida. The purchase price was financed in part through a mortgage note and security agreement entered into with a commercial lender in the amount of \$1,530,000. The promissory note is collateralized by the land and building, bears interest at a fixed rate of 4.75% per annum, matures on December 14, 2028 and is subject to a prepayment penalty. Principal and interest will be repaid through 119 regular payments of \$11,901 that began in January 2019, with the final payment of all principal and accrued interest not yet paid on December 14, 2028. Note repayment is guaranteed by Progressive Care Inc.

(B) Note Payable – Uncollateralized

As of June 30, 2024 the uncollateralized note payable represents a non-interest-bearing loan that is due on demand from an investor.

(C) Notes Payable – Collateralized

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 are allowed with 5 business days’ written notice and the amount of the prepayment is equal to 10% or more of the limit or, if less, the balance of the debenture. The Debenture is secured by all GTC’s assets as well as a guarantee by the UK government. The proceeds from the Debenture were 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.

In April 2021, Progressive Care entered into a note obligation with a commercial lender, the proceeds from which were used to purchase pharmacy equipment in the amount of approximately \$30,000. During September 2021, pharmacy equipment was returned since the installation was cancelled and the note was amended. The amended promissory note payable requires 46 monthly payments of \$331, including interest at 6.9%. The balance outstanding as of June 30, 2024 and December 31, 2023 on the note payable was approximately \$4,000 and \$6,500, respectively.

In July 2022, Progressive Care entered into a note obligation with a commercial lender, the proceeds from which were used to purchase pharmacy equipment in the amount of approximately \$90,000. The terms of the promissory note payable require 60 monthly payments of \$1,859, including interest at 8.78% starting January 2023. The balance outstanding on the note payable was approximately \$65,000 and \$71,000 as of June 30, 2024 and December 31, 2023, respectively.

In September 2022, Progressive Care entered into a note obligation with a commercial lender, the proceeds from which were used to purchase a vehicle in the amount of approximately \$25,000. The terms of the promissory note payable require 24 monthly payments of \$1,143, including interest at 8.29% starting October 2022. The balance outstanding on the note payable was approximately \$3,000 and \$10,000 as of June 30, 2024 and December 31, 2023, respectively.

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Principal outstanding as of June 30, 2024, is expected to be repayable as follows (in thousands):

Year	Amount
2024 (remaining six months)	\$ 115
2025	214
2026	119
2027	124
2028	753
Thereafter	-
Total	\$ 1,325

Note 16. Equity

For the six months ended June 30, 2024 and 2023, stock-based compensation expense recognized in selling, general and administrative expenses was approximately \$1.2 million and \$2.0 million, respectively. There were no income tax benefits recognized from stock-based compensation during the six months ended June 30, 2024 and 2023 due to cumulative losses and valuation allowances.

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. As of June 30, 2024, there were no shares of preferred stock issued and outstanding.

Common Stock

We have authorized 50,000,000 shares of \$0.0001 par value common stock. As of June 30, 2024, 18,973,146 shares of common stock were issued and outstanding.

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.

April 2023 Private Placement of Common Stock

On April 5, 2023, the Company entered into a securities purchase agreement (the “Purchase Agreement”) with an accredited investor (the “Investor”) for the sale by the Company in a private placement of 3,428,571 shares of the Company’s common stock, \$0.0001 par value per share (the “Common Stock”). The offering price of the Common Stock was \$1.75 per share, the closing price of the Common Stock on April 4, 2023. On April 11, 2023, the Private Placement closed. Upon the closing of the Private Placement, the Company received gross proceeds of approximately \$6.0 million. The Company sold the Common Stock to the Investor in reliance on the exemption from registration afforded 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 Investor represented that it is acquiring the Common Stock for investment only and not with a view towards, or for resale in connection with, the public sale or distribution thereof. Accordingly, the Common Stock has not been registered under the Securities Act and may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act and any applicable state securities laws.

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Note 17. Related Party Transactions

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, with no change to her salary. Previously Mrs. Fernandez was a consultant and earned compensation for her services of \$10,995 for the year ended December 31, 2022. In April 2023, Mrs. Fernandez's annual salary increased to \$125,000, which was approved by the Board of Directors.

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 \$2.8 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. 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 February 1, 2023, the Company entered into a Management Services Agreement with Progressive Care to provide certain management and administrative services to Progressive Care for a \$25,000 per month fee. During May 2023 the management fee was reduced to \$20,000 per month. During the six months ended June 30, 2023, the Company received approximately \$115,000 from Progressive Care as management fees. The management fees in the amount of approximately \$120,000 for the six months ended June 30, 2024 are eliminated as a result of the Progressive Care consolidation as of July 1, 2023.

On May 5, 2023, the Company entered into an Securities Purchase Agreement with Progressive Care, pursuant to which the Company agreed to purchase 455,000 newly issued Units of securities from Progressive Care at a price per Unit of \$2.20 for an aggregate purchase price of \$1.0 million (the "Unit Purchase"). Each Unit consists of one share of Progressive Care common stock, par value \$0.0001 per share, and one common stock purchase warrant to purchase a share of Progressive Care common Stock (the "PIPE Warrants")

On May 9, 2023, pursuant to the Debt Conversion Agreement ("DCA"), the Company received 570,599 shares of Progressive Care common stock, Charles M. Fernandez received 228,240 shares of Progressive Care common stock, and Rodney Barreto received 228,240 shares of Progressive Care common stock. To induce the approval of the debt conversion pursuant to the DCA, Messrs. Fernandez and Barreto received Inducement Warrants to purchase 190,000 and 30,000 shares of Progressive Care common stock, respectively. In addition, the Company and Messrs. Fernandez and Barreto also received a common stock purchase warrant to purchase one share of Progressive Care common stock for each share of Progressive Care common stock they received upon conversion of the Note.

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On July 1, 2023, the Company, Charles M. Fernandez, and Rodney Barreto exercised common stock purchase warrants and were issued shares of Progressive Care common stock. The Company exercised common stock purchase warrants on a cashless basis and was issued 402,269 shares of Progressive Care common stock. The Company also exercised common stock purchase warrants on a cash basis and paid consideration in the amount of \$506,000 and was issued 230,000 shares of Progressive Care common stock. Mr. Fernandez exercised common stock purchase warrants on a cashless basis and was issued 211,470 shares of Progressive Care common stock. Mr. Barreto exercised common stock purchase warrants on a cashless basis and was issued 130,571 shares of Progressive Care common stock. After the exercise of the warrants, NextPlat and Messrs. Fernandez and Barreto collectively owned approximately 53% of Progressive Care's voting stock.

Also, on July 1, 2023, NextPlat and Messrs. Fernandez and Barreto, entered into a voting agreement whereby at any annual or special shareholders meeting of Progressive Care's stockholders, and whenever the holders of Progressive Care's common stock act by written consent, Messrs. Fernandez and Barreto agreed to vote all of the shares of Progressive Care common stock (including any new shares acquired after the date of the voting agreement or acquired through the conversion of securities convertible into Progressive Care common stock) that they own, directly or indirectly, in the same manner that NextPlat votes its shares of Progressive Care common stock. The voting agreement is irrevocable and perpetual in term.

Next Borough Capital Fund, LP. On July 7, 2023, the Company entered into an unsecured promissory note agreement with Next Borough Capital Management, LLC ("the Borrower"), whereby the Company loaned \$250,000 to the Borrower. The note bears interest at an annual rate of 7%. The outstanding principal balance of the note plus all accrued unpaid interest is due and payable on July 7, 2024, the Maturity Date. Each of the Company, Charles M. Fernandez, Robert D. Keyser, Jr., eAperion Partners, LLC and a revocable trust of Rodney Barreto are members of the Borrower. The balance outstanding on the note as of June 30, 2024 and December 31, 2023 was approximately \$265,000 and \$256,000, respectively. The note is recorded in Notes Receivable Due From Related Party on the Balance Sheets.

Note 18. Commitments and Contingencies

Litigation

On June 22, 2021, Thomas Seifert's employment as the Company's Chief Financial Officer was terminated for cause. Mr. Seifert asserts that the termination was not for cause and that he is owed compensation payable under his June 2, 2021 employment agreement. The Company's position is that Mr. Seifert is not owed any additional compensation relating to his prior service with the Company or arising under any employment agreement. The Company and Mr. Seifert are currently engaged in litigation over the matter of his employment and termination. The Company believes it has adequate defenses to Mr. Seifert's claims and has asserted affirmative claims for relief against Mr. Seifert including, but not limited to, breach of the employment agreement, breach of 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.

A jury trial is set to occur during the trial court's two-week trial calendar, starting October 21, 2024.

On June 17, 2024, Progressive Care was notified of a potential claim that a former employee allegedly suffered a loss due to a breach by Progressive Care of an employment contract with the former employee. Management believes, based on discussions with its legal counsel, that Progressive Care has meritorious defenses against the potential claim. Progressive Care will vigorously defend this matter if such claim is ultimately litigated or brought before an arbitrator. We cannot reasonably estimate the amount of the loss.

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.

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Note 19. Leases

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.

Finance Lease Agreements

In May 2018, Progressive Care entered into a finance lease obligation to purchase pharmacy equipment with a cost of approximately \$115,000. The terms of the lease agreement require monthly payments of \$1,678 plus applicable tax over 84 months ending March 2025 including interest at the rate of 6%.

Operating Lease Agreements

Right of use ("ROU") 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 June 30, 2024 and December 31, 2023, we have recognized impairment losses for ROU assets of approximately \$132,000 and \$0, respectively.

We monitor for events or changes in circumstances that require a reassessment of one of our leases. When a reassessment results in the re-measurement 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.

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

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 1.24 GBP: USD. The Poole lease was renewed on October 6, 2022, and expired October 31, 2023 and renewed for an additional twelve months.

Progressive Care entered into a lease agreement for its Orlando pharmacy in August 2020. The term of the lease is 66 months with a termination date of February 2026. The lease agreement calls for monthly payments that began in February 2021, of \$4,310, with an escalating payment schedule each year thereafter.

Progressive Care leases its North Miami Beach pharmacy location under an operating lease agreement with a lease commencement date in September 2021. The term of the lease is 60 months with a termination date in August 2026. The lease calls for monthly payments of \$5,237, with an escalating payment schedule each year thereafter.

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Progressive Care also leases its Palm Beach County pharmacy locations under operating lease agreements expiring in February 2025.

During June 2023 NextPlat entered into a 36-months lease to lease twenty-five (25) hours in a Phenom 300 aircraft, for approximately \$200,650 annually. The rent increases 3% annually. The lease commenced on June 7, 2023. During June 2024 NextPlat terminated the lease and paid a lease termination fee in the amount of \$0.1 million. The remaining carrying value, net of the ROU asset and liability in the amount of \$0.1 million was written off and the recorded in selling, general and administrative expense on the condensed consolidated statement of comprehensive loss.

Note 20. Reportable Segments

The Company has two reportable segments: (i) e-Commerce Operations, which involves acquiring and leasing, primarily an 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, and other related businesses and (ii) Healthcare Operations, which provides TPA, data management, COVID-19 related diagnostics and vaccinations, prescription pharmaceuticals, compounded medications, telepharmacy services, anti-retroviral medications, medication therapy management, the supply of prescription medications to long-term care facilities, medication adherence packaging, contracted pharmacy services for 340B covered entities under the 340B Drug Discount Pricing Program, and health practice risk management.

The Company evaluates the performance of each of the segments based on profit or loss after general and administrative expenses. While the Company believes there are synergies between the two business segments, the segments are managed separately because each requires different business strategies.

The following tables present a summary of the reportable segments (in thousands):

For the Three Months Ended June 30, 2024	e-Commerce Operations	Healthcare Operations	Eliminations	Total
Pharmacy prescription and other revenue, net of PBM fees	\$ -	\$ 10,521	\$ -	\$ 10,521
e-Commerce revenue	3,512	-	-	3,512
Pharmacy 340B contract revenue	-	2,956	-	2,956
Revenues, net	<u>\$ 3,512</u>	<u>\$ 13,477</u>	<u>\$ -</u>	<u>\$ 16,989</u>
Expenses:				
Cost of revenue	2,401	8,782	-	11,183
Selling, general and administrative	1,382	895	(60)	2,217
Salaries, wages and payroll taxes	619	2,166	-	2,785
Impairment loss	-	9,792	-	9,792
Professional fees	620	384	-	1,004
Depreciation and amortization	146	757	-	903
	<u>5,168</u>	<u>22,776</u>	<u>(60)</u>	<u>27,884</u>
Loss before other (income) expense	(1,656)	(9,299)	60	(10,895)
Other income	(210)	(23)	(60)	(173)
Loss before income taxes	(1,446)	(9,276)	-	(10,722)
Income taxes	(20)	-	-	(20)
Net loss	<u>\$ (1,466)</u>	<u>\$ (9,276)</u>	<u>\$ -</u>	<u>\$ (10,742)</u>

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For the Three Months Ended June 30, 2023	e-Commerce Operations	Healthcare Operations	Eliminations	Total
Pharmacy prescription and other revenue, net of PBM fees	\$ -	\$ -	\$ -	\$ -
e-Commerce revenue	2,957	-	-	2,957
Pharmacy 340B contract revenue	-	-	-	-
Revenues, net	<u>\$ 2,957</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,957</u>
Expenses:				
Cost of revenue	2,113	-	-	2,113
Selling, general and administrative	2,519	-	-	2,519
Salaries, wages and payroll taxes	968	-	-	968
Professional fees	544	-	-	544
Depreciation and amortization	168	-	-	168
	<u>6,312</u>	<u>-</u>	<u>-</u>	<u>6,312</u>
Loss before other (income) expense	(3,355)	-	-	(3,355)
Other income	(473)	-	-	(473)
Loss before income taxes	(2,882)	-	-	(2,882)
Income taxes	(52)	-	-	(52)
Loss before equity method investment	(2,934)	-	-	(2,934)
Equity in net loss of affiliate	(1,407)	-	-	(1,407)
Net loss	<u>\$ (4,341)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,341)</u>

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For the Six Months Ended June 30, 2024	e-Commerce Operations	Healthcare Operations	Eliminations	Total
Pharmacy prescription and other revenue, net of PBM fees	\$ -	\$ 21,773	\$ -	\$ 21,773
e-Commerce revenue	6,377	-	-	6,377
Pharmacy 340B contract revenue	-	6,332	-	6,332
Revenues, net	\$ 6,377	\$ 28,105	\$ -	\$ 34,482
Expenses:				
Cost of revenue	4,462	19,405	-	23,867
Selling, general and administrative	2,545	1,795	(120)	4,220
Salaries, wages and payroll taxes	1,127	4,282	-	5,409
Impairment loss	-	9,924	-	9,924
Professional fees	1,127	862	-	1,989
Depreciation and amortization	277	1,533	-	1,810
	<u>9,538</u>	<u>37,801</u>	<u>(120)</u>	<u>47,219</u>
Loss before other (income) expense	(3,161)	(9,696)	120	(12,737)
Other income	(413)	(48)	(120)	(341)
Loss before income taxes	(2,748)	(9,648)	-	(12,396)
Income taxes	(47)	-	-	(47)
Net (loss) income	<u>\$ (2,795)</u>	<u>\$ (9,648)</u>	<u>\$ -</u>	<u>\$ (12,443)</u>

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For the Six Months Ended June 30, 2023	e-Commerce Operations	Healthcare Operations	Eliminations	Total
Pharmacy prescription and other revenue, net of PBM fees	\$ -	\$ -	\$ -	\$ -
e-Commerce revenue	5,834	-	-	5,834
Pharmacy 340B contract revenue	-	-	-	-
Revenues, net	\$ 5,834	\$ -	\$ -	\$ 5,834
Expenses:				
Cost of revenue	4,369	-	-	4,369
Selling, general and administrative	3,308	-	-	3,308
Salaries, wages and payroll taxes	1,556	-	-	1,556
Professional fees	865	-	-	865
Depreciation and amortization	330	-	-	330
	10,428	-	-	10,428
Loss before other (income) expense	(4,594)	-	-	(4,594)
Other income	(558)	-	-	(558)
Loss before income taxes	(4,036)	-	-	(4,036)
Income taxes	(52)	-	-	(52)
Loss before equity method investment	(4,088)	-	-	(4,088)
Equity in net loss of affiliate	(1,440)	-	-	(1,440)
Net loss	\$ (5,528)	\$ -	\$ -	\$ (5,528)
	e-Commerce Operations	Healthcare Operations	Eliminations	Total
Total assets as of June 30, 2024	\$ 39,313	\$ 28,827	\$ (16,679)	\$ 51,461
Total assets as of December 31, 2023	\$ 40,764	\$ 40,384	\$ (16,679)	\$ 64,469

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Note 21. Concentrations**e-Commerce operations concentrations:****Customers:**

Sales to customers through Amazon accounted for 38.4% and 49.1% of the Company's revenues during the six months ended June 30, 2024 and 2023, 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 three and six months ended June 30, 2024 and 2023 (in thousands, unaudited).

	<u>For the Three Months Ended June 30, 2024</u>		<u>For the Three Months Ended June 30, 2023</u>	
Iridium Satellite	\$ 331	13.5%	\$ -	-%
	<u>For the Six Months Ended June 30, 2024</u>		<u>For the Six Months Ended June 30, 2023</u>	
Iridium Satellite	\$ 902	19.8%	\$ 651	13.4%
Garmin	\$ 464	10.2%	\$ 1,087	22.4%

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Geographic:

The following table sets forth revenue as to each geographic location, for the (in thousands, unaudited):

	For the Three Months Ended June 30, 2024		For the Three Months Ended June 30, 2023	
Europe	\$ 1,797	51.2%	\$ 1,704	57.6%
North America	1,293	36.8%	870	29.4%
South America	7	0.2%	8	0.3%
Asia and Pacific	390	11.1%	335	11.3%
Africa	25	0.7%	40	1.4%
	<u>\$ 3,512</u>	<u>100%</u>	<u>\$ 2,957</u>	<u>100%</u>

	For the Six Months Ended June 30, 2024		For the Six Months Ended June 30, 2023	
Europe	\$ 3,279	51.4%	\$ 3,690	63.2%
North America	1,757	27.6%	1,462	25.1%
South America	30	0.5%	18	0.3%
Asia and Pacific	803	12.6%	563	9.7%
Africa	508	8.0%	101	1.7%
	<u>\$ 6,377</u>	<u>100%</u>	<u>\$ 5,834</u>	<u>100%</u>

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Healthcare operations concentrations:

Suppliers:

Progressive Care had significant concentrations with one vendor. The purchases from this significant vendor were 98.0% of total vendor purchases for the six months ended June 30, 2024

Customers:

Progressive Care s trade receivables are primarily from prescription medications billed to various insurance providers. Ultimately, the insured is responsible for payment should the insurance company not reimburse Progressive Care.

Progressive Care derives a significant portion of sales from prescription drug sales reimbursed through prescription drug plans administered by pharmacy benefit managers (“PBM”) companies. Prescription reimbursements from our three most significant PBMs were as follows:

	Six Months Ended June 30, 2024
A	32%
B	22%
C	18%

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

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

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

We encourage you to review our periodic reports filed with the SEC and included in the SEC's EDGAR database, including our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on April 11, 2024, and our subsequent public filings with the SEC. We encourage you to review Progressive Care's periodic reports filed with the SEC and included in the SEC's EDGAR database, including Progressive Care Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on April 11, 2024, and Progressive Care's subsequent public filings with the SEC.

Overview

Business acquisition of Progressive Care Inc.

On August 30, 2022, NextPlat entered into a Securities Purchase Agreement (the "SPA") between NextPlat and Progressive Care, under which NextPlat, its Executive Chairman and Chief Executive Officer, Charles M. Fernandez, board member, Rodney Barreto, and certain other investors invested an aggregate of \$8.3 million into Progressive Care. In connection with the SPA, NextPlat purchased 3,000 newly issued Units of Progressive Care valued at \$6 million, with each Unit comprised of one share of Progressive Care's Series B Convertible Preferred Stock, \$0.001 par value, and one Investor Warrant to purchase a share of Series B Convertible Preferred Stock at an exercise price of \$2,000. The Investor Warrants may also be exercised, in whole or in part, by means of a cashless exercise. The Convertible Preferred Stock has a stated value of \$2,000 per share and each Preferred Stock share has the equivalent voting rights of 500 common stock shares (after giving effect to the Reverse Stock Split described below). Each share of Series B Convertible Preferred Stock is convertible at any time at the option of the holder into shares of Progressive Care common stock determined by dividing the stated value by the conversion price which is \$4.00 (after giving effect to the Reverse Stock Split described below).

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

In addition, on August 30, 2022, NextPlat Corp, Messrs. Fernandez and Barreto, and certain other investors (collectively, the "NextPlat Investors") entered into a Modification Agreement wherein the terms were modified for an existing Secured Convertible Promissory Note (the "Note") originally held by a third party note holder and sold to the NextPlat Investors. The NextPlat Investors purchased the Note as part of a Confidential Note Purchase and Release Agreement between the former note holder and the NextPlat Investors. As of the date of the SPA, the aggregate amount of principal and interest outstanding on the Note was approximately \$2.8 million. As part of the Modification Agreement, various terms of the Note were modified, among them, the Conversion Price for the Note was modified to a fixed price of \$4.00 per share of common stock (after giving effect to the Reverse Stock Split described below). In addition, the Note was modified to provide for mandatory conversion upon the later to occur of (a) the completion of the Company's reverse stock split, and (b) the listing of the Company's common stock on a national exchange, including the Nasdaq Capital Market, the Nasdaq Global Market, or the New York Stock Exchange. Also, pursuant to the SPA, Messrs. Fernandez and Barreto were nominated for election to Progressive Care's Board of Directors.

On September 13, 2022, the Progressive Care Board of Directors appointed Charles M. Fernandez as Chairman of the Board of Directors and Rodney Barreto as the Vice Chairman of the Board of Directors.

On November 11, 2022, Progressive Care's board appointed Mr. Fernandez to serve as the new Chief Executive Officer of Progressive Care.

On December 29, 2022, Progressive Care filed a Certificate of Amendment to Articles of Incorporation (the "Amendment to Articles") with the Secretary of State of the State of Delaware. Pursuant to the Amendment to Articles, each 200 shares of Progressive Care's common stock outstanding was converted into one share of common stock (the "Reverse Stock Split") and the number of shares of common stock that Progressive Care is authorized to issue was reduced to 100 million (the "Reduction in Authorized Stock"). The Reverse Stock Split and the Reduction in Authorized Stock were approved by the Progressive Care's board of directors and shareholders.

On May 5, 2023, NextPlat entered into a Securities Purchase Agreement (the "SPA") with Progressive Care, pursuant to which NextPlat purchased 455,000 newly issued units of securities from Progressive Care (the "Units") at a price per Unit of \$2.20 for an aggregate purchase price of \$1 million (the "Unit Purchase"). Each Unit consisted of one share of common stock, par value \$0.0001 per share, of Progressive Care and one warrant to purchase a share of common stock (the "PIPE Warrants"). The PIPE Warrants have a three-year term and are immediately exercisable. Each PIPE Warrant is exercisable at \$2.20 per share of common stock. On May 9, 2023, the Companies closed the transactions contemplated in the SPA. Progressive Care received cash proceeds of \$880,000, net of placement agent commission of \$70,000 and legal fees of \$50,000.

Simultaneous with the closing, Progressive Care entered into a Debt Conversion Agreement (the "DCA") with NextPlat and the other holders (the "Holders") of that certain Amended and Restated Secured Convertible Promissory Note, dated as of September 2, 2022, made by the Company in the original face amount of approximately \$2.8 million (the "Note"). Pursuant to the DCA, NextPlat and the other Holders agreed to convert the total approximately \$2.9 million of outstanding principal and accrued and unpaid interest to Progressive Care common Stock at a conversion price of \$2.20 per share (the "Debt Conversion"). Of the total 1,312,379 shares of Progressive Care common stock issued upon conversion of the Note pursuant to the DCA, NextPlat received 570,599 shares, Charles M. Fernandez, the Company's Chairman and Chief Executive Officer, received 228,240 shares, and Rodney Barreto, the Company's Vice-Chairman of the Board of Directors, received 228,240 shares. In addition, each of the Holders also received a warrant to purchase one share of Progressive Care common stock for each share of Progressive Care common stock they received upon conversion of the Note (the "Conversion Warrants"). The Conversion Warrants have a three-year term and are immediately exercisable. Each Conversion Warrant is exercisable at \$2.20 per share of Common Stock. In addition, the Company issued 330,000 warrants to certain existing Progressive Care investors to induce them to approve the transaction contemplated by the SPA (the "Inducement Warrants"). Charles M. Fernandez and Rodney Barreto received Inducement Warrants to purchase 190,000 and 30,000 shares of Common Stock, respectively. The Inducement Warrants have a three-year term and are immediately exercisable. Each Inducement Warrant is exercisable at \$2.20 per share of Common Stock.

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

On July 1, 2023, NextPlat, along with Messrs. Fernandez and Barreto, exercised common stock purchase warrants and were issued shares of Progressive Care common stock. NextPlat exercised common stock purchase warrants on a cashless basis and was issued 402,269 shares of Progressive Care common stock. NextPlat also exercised common stock purchase warrants on a cash basis and paid consideration in the amount of \$506,000 and was issued 230,000 shares of Progressive Care common stock. Mr. Fernandez exercised common stock purchase warrants on a cashless basis and was issued 211,470 shares of Progressive Care common stock. Mr. Barreto exercised common stock purchase warrants on a cashless basis and was issued 130,571 shares of Progressive Care common stock. At the time of exercise, all of the above common stock purchase warrants were in-the-money. After the exercise of the common stock purchase warrants, NextPlat, Messrs. Fernandez and Barreto collectively owned approximately 53% of Progressive Care's voting stock.

Also, on July 1, 2023, NextPlat, along with Messrs. Fernandez and Barreto, entered into a voting agreement whereby at any annual or special shareholders meeting of Progressive Care's stockholders, and whenever the holders of Progressive Care's common stock act by written consent, Messrs. Fernandez and Barreto agreed to vote all of their shares of Progressive Care common stock (including any new shares acquired after the date of the voting agreement or acquired through the conversion of securities convertible into Progressive Care common stock) that they own, directly or indirectly, in the same manner that NextPlat votes its Progressive Care common stock and equivalents. The voting agreement is irrevocable and perpetual in term.

As a result of the common stock purchase warrant exercises and the entry into the voting agreement, NextPlat concluded that there was a change in control in Progressive Care. As of July 1, 2023, NextPlat has the right to control more than 50 percent of the voting stock of Progressive Care through the concurrent common stock purchase warrant exercises and voting agreement noted above. Beginning on July 1, 2023, the Company changed the accounting method for its investment in Progressive Care, which prior to July 1, 2023 had been accounted for as an equity method investment to consolidation under the voting interest model in FASB ASC Topic 805. Therefore, Progressive Care became a consolidated subsidiary of the Company on July 1, 2023.

Business acquisition of Outfitter Satellite, Inc.

On March 25, 2024, the Company entered into a Stock Purchase Agreement with James T. McKinley, pursuant to which the Company agreed to purchase all of the issued and outstanding shares of common stock of Outfitter Satellite, Inc. ("Outfitter"). The closing of the transaction occurred on April 1, 2024.

Outfitter provides consumers, commercial and government customers, with advanced satellite-based connectivity solutions from leading brands, including Iridium, Inmarsat and Globalstar.

e-Commerce Operations:

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. 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 upgrades to support this initiative.

e-Commerce transaction volumes at the Company's owned and operated websites in the UK and United States continued to grow throughout the third quarter setting monthly performance records.

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

Healthcare Operations:

Progressive Care, through its wholly owned subsidiaries, currently owns and operates five pharmacies, which generate most of its pharmacy revenues, which is derived from dispensing medications to their patients. Progressive Care also provides patient health risk reviews and free same-day delivery.

Progressive Care provides TPA, data management, COVID-19 related diagnostics and vaccinations, prescription pharmaceuticals, compounded medications, telepharmacy services, anti-retroviral medications, medication therapy management, the supply of prescription medications to long-term care facilities, medication adherence packaging, contracted pharmacy services for 340B covered entities under the 340B Drug Discount Pricing Program, and health practice risk management. Progressive Care are focused on improving the lives of patients with complex chronic diseases through a patient and provider engagement and their partnerships with payors, pharmaceutical manufacturers, and distributors. Progressive Care offer a broad range of solutions to address the dispensing, delivery, dosing, and reimbursement of clinically intensive, high-cost drugs.

Progressive Care's pharmacies also provides contracted pharmacy services for 340B covered entities under the 340B Drug Discount Pricing Program. Under the terms of these agreements, Progressive Care's pharmacies act as a pass-through for reimbursements on prescription claims adjudicated on behalf of the 340B covered entities in exchange for a dispensing fee per prescription. These fees vary by the covered entity and the level of services provided by Progressive Care.

Progressive Care's focus is on complex chronic diseases that generally require multiyear or lifelong therapy, which drives recurring revenue and sustainable growth. Progressive Care's pharmacy services revenue growth is from expanding their services, new drugs coming to market, new indications for existing drugs, volume growth with current clients, and additions of new customers due to their focus on higher patient engagement, benefit of free delivery to the patient, and clinical expertise. The pharmacies also expanded revenue growth through the signing of new contract pharmacy service and data management contracts with 340B covered entities.

Progressive Care provides data management and TPA services for 340B covered entities, pharmacy analytics, and programs to manage HEDIS Quality Measures including Medication Adherence. These offerings cater to the need for frontline providers to understand best practices, patient behaviors, care management processes, and the financial mechanisms behind these decisions. ClearMetrX provides data access, and actionable insights that providers and support organizations can use to improve their practice and patient care. ClearMetrX's TPA services include management of wholesale accounts, patient eligibility with regard to the 340B drug program, development and review of 340B policies and procedures, and management of receivables.

Critical Accounting Policies and Estimates

The significant accounting policies of the Company were described in Note 1. to the Audited Consolidated Financial Statements included in the Company's Form 10-K for the fiscal year ended December 31, 2023. There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation included in our 2023 Form 10-K. The most recently adopted accounting pronouncements and accounting pronouncements to be adopted by the Company are described in Note 3 in the Notes to our Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Results of Operations for the three months ended June 30, 2024 compared to the three months ended June 30, 2023 (in thousands):

	Three Months Ended June 30,			
	2024 (Unaudited)	2023 (Unaudited)	\$ Change	% Change
Revenue, net	\$ 16,989	\$ 2,957	\$ 14,032	475%
Cost of revenue	11,183	2,113	9,070	429%
Gross profit	5,806	844	4,962	588%
Operating expenses	16,702	4,199	12,503	298%
Loss before other income	(10,896)	(3,355)	(7,541)	225%
Other income	(173)	(473)	300	(63)%
Loss before income taxes	(10,723)	(2,882)	(7,841)	272%
Income taxes	(20)	(52)	32	(62)%
Loss before equity method investment	(10,743)	(2,934)	(7,809)	266%
Equity in net loss of affiliate	-	(1,407)	1,407	(100)%
Net loss	(10,743)	(4,341)	(6,402)	147%
Net loss attributable to non-controlling interest	5,432	-	5,432	-%
Net loss attributable to NextPlat Corp.	<u>\$ (5,311)</u>	<u>\$ (4,341)</u>	<u>\$ (970)</u>	22%

For the three months ended June 30, 2024 and 2023, we recognized overall revenue from operations of approximately \$17.0 million and \$3.0 million, respectively, an overall increase of approximately \$14.0 million for the three months ended June 30, 2024, when compared to the three months ended June 30, 2023. The increase in revenue was primarily attributable to an increase of approximately \$13.5 million from the Healthcare Operations as a result of the Progressive Care acquisition on July 1, 2023.

Gross profit margins increased from approximately 28.5% for the three months ended June 30, 2023, to 34.2% for the three months ended June 30, 2024. The increase in gross profit margins during the second quarter of 2024 compared to the same period in 2023, was primarily attributable to the Healthcare Operations as a result of the Progressive Care acquisition on July 1, 2023.

Loss before other (income) expense increased by approximately \$7.5 million for the three months ended June 30, 2024, when compared to the three months ended June 30, 2023, as a result of the increase in operating expenses of approximately \$12.5 million, partially offset by the increase in gross profit of approximately \$5.0 million. See detailed discussion below.

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

Revenue

Our revenues were as follows (in thousands):

	Three Months Ended June 30,					
	2024		2023		\$ Change	% Change
	Dollars	% of Revenue	Dollars	% of Revenue		
Sales of products, net:						
Pharmacy prescription and other revenue, net of PBM fees	\$ 10,521	62%	\$ -	-%	\$ 10,521	100%
e-Commerce revenue	3,512	21%	2,957	100%	555	19%
Sub total	14,033	83%	2,957	100%	11,076	375%
Revenues from services:						
Pharmacy 340B contract revenue	2,956	17%	-	-%	2,956	100%
Revenues, net	\$ 16,989	100%	\$ 2,957	100%	\$ 14,032	475%

Sales for the three months ended June 30, 2024, consisted primarily of e-Commerce sales of satellite phones, tracking devices, accessories, airtime plans, and pharmacy prescription, and 340B contract revenues. For the three months ended June 30, 2024, overall revenues were approximately \$17.0 million compared to \$3.0 million of revenues for the three months ended June 30, 2023, an increase in of approximately \$14.0 million or 474.5%.

Total e-Commerce revenues were approximately \$3.5 million and \$2.9 million for the three months ended June 30, 2024 and 2023, respectively, an increase of approximately \$0.5 million mainly due to the Outfitter acquisition on April 1, 2024.

Total pharmacy prescription and 340B contract revenues were approximately \$13.5 million for the three months ended June 30, 2024 as a result of the Progressive Care acquisition on July 1, 2023. The pharmacy filled approximately 133,000 prescriptions for the three months ended June 30, 2024.

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

Our operating expenses were as follows (in thousands):

	Three Months Ended June 30,			
	2024	2023	\$ Change	% Change
	(Unaudited)	(Unaudited)		
Selling, general and administrative	\$ 2,218	\$ 2,519	\$ (301)	(12)%
Salaries, wages and payroll taxes	2,785	968	1,817	188%
Impairment loss	9,792	-	9,792	100%
Professional fees	1,004	544	460	85%
Depreciation and amortization	903	168	735	438%
Operating expenses	\$ 16,702	\$ 4,199	\$ 12,503	298%

Total operating expenses for the three months ended June 30, 2024, were approximately \$16.7 million, an increase of approximately \$12.5 million, or 297.8%, from total operating expenses for the three months ended June 30, 2023, of approximately \$4.2 million. Factors contributing to the increase are described below.

Selling, general and administrative (“SG&A”) expenses were approximately \$2.2 million and \$2.5 million for the three months ended June 30, 2024 and 2023, respectively, a decrease of approximately \$0.3 million or 11.9%. The decrease for the three months ended June 30, 2024, was mainly attributable to the decrease in stock-based compensation of approximately \$1.1 million, partially offset by an increase in operating expenses of approximately \$0.8 million as it relates to the Healthcare Operations as a result of the Progressive Care acquisition on July 1, 2023.

Salaries, wages and payroll taxes were approximately \$2.8 million and \$1.0 million for the three months ended June 30, 2024 and 2023, respectively, an increase of approximately \$1.8 million or 187.7%. The increase was mainly attributable to the Healthcare operations segment as a result of the Progressive Care acquisition as of July 1, 2023, of approximately \$2.1 million, partially offset by a decrease in e-Commerce salaries and wages of approximately \$0.3 million.

The Company performed a goodwill impairment test during the three months ended June 30, 2024 and it was determined that the carrying amount of goodwill at June 30, 2024 exceeded its fair value resulting in the Company recording a non-cash impairment charge of approximately \$0.7 million during the period, recorded to the Healthcare Operations reporting segment. As of June 30, 2024, there was no remaining goodwill as it relates to the Healthcare Operations reporting segment. Refer to Note 13. Goodwill and Intangible Assets for additional details on the impairment charges, valuation methodologies, and inputs used in the fair value measurements.

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

The Company performed a long-lived assets impairment test as it relates to the Healthcare Operations reporting segment during the three months ended June 30, 2024 and it was determined that the carrying amount of the asset group at June 30, 2024 exceeded its fair value resulting in the Company recording a non-cash impairment charge to certain long-lived assets, primarily intangible assets, of approximately \$9.1 million during the period. Refer to Note 13. Goodwill and Intangible Assets for additional details on the impairment charges, valuation methodologies, inputs used in the fair value measurements, and the changes in intangible assets for the period.

Professional fees were approximately \$1.0 million and \$0.5 million for the three months ended June 30, 2024 and 2023, respectively, an increase of approximately \$0.5 million or 84.6%. The increase was mainly attributable to legal and consulting fees as it relates to the Healthcare Operations as a result of the Progressive Care acquisition as of July 1, 2023, of approximately \$0.4 million, and legal and consulting fees associated with the e-Commerce business of approximately \$0.1 million.

Depreciation and amortization expenses were approximately \$0.9 million and \$0.2 million for the three months ended June 30, 2024 and 2023, respectively, an increase of approximately \$0.7 million or 437.5%. The increase was mainly attributable to depreciation and amortization as it relates to the Healthcare Operations from the Progressive Care acquisition on July 1, 2023, of approximately \$0.7 million.

Total Other Income.

Our total other income decreased by approximately \$0.3 million for the three months ended June 30, 2024 when compared to same period in 2023, and was mainly due to non-recurring write off of aged payables of approximately \$0.2 million and Progressive Care management fee of approximately \$0.1 million which was eliminated in consolidation during 2024 as a result of Progressive Care acquisition on July 1, 2023.

Equity Method Investment.

For the three months ended June 30, 2023, we recorded a net loss in the equity of our affiliate, Progressive Care, of approximately \$1.4 million which was accounted for as an equity method investment. Effective July 1, 2023, Progressive Care became a consolidated subsidiary of the Company, which resulted in a change in the accounting treatment from equity method to consolidation.

Net Loss.

We recorded net losses of approximately \$10.7 million and \$4.3 million for the three months ended June 30, 2024 and 2023, respectively. The increase was a result of the factors described above.

Comprehensive Loss.

We recorded comprehensive losses for foreign currency translation adjustments of approximately \$27,000 and \$12,000 for the three months ended June 30, 2024 and 2023, respectively. The change was primarily attributed to exchange rate variances.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Results of Operations for the six months ended June 30, 2024 compared to the six months ended June 30, 2023 (in thousands):

	Six Months Ended June 30,			
	2024 (Unaudited)	2023 (Unaudited)	\$ Change	% Change
Revenue, net	\$ 34,482	\$ 5,834	\$ 28,648	491%
Cost of revenue	23,867	4,369	19,498	446%
Gross profit	10,615	1,465	9,150	625%
Operating expenses	23,352	6,059	17,293	285%
Loss before other income	(12,737)	(4,594)	(8,143)	177%
Other income	(341)	(558)	217	(39)%
Loss before income taxes	(12,396)	(4,036)	(8,360)	207%
Income taxes	(47)	(52)	5	100%
Loss before equity method investment	(12,443)	(4,088)	(8,355)	204%
Equity in net loss of affiliate	-	(1,440)	1,440	(100)%
Net loss	(12,443)	(5,528)	(6,915)	125%
Net loss attributable to noncontrolling interest	5,652	-	5,652	100%
Net loss attributable to NextPlat Corp.	\$ (6,791)	\$ (5,528)	\$ (1,263)	23%

For the six months ended June 30, 2024 and 2023, we recognized overall revenue from operations of approximately \$34.4 million and \$5.8 million, respectively, an overall increase of approximately \$28.6 million for the six months ended June 30, 2024, when compared to the six months ended June 30, 2023. The increase in revenue was primarily attributable to an increase of approximately \$28.1 million from the Healthcare Operations as a result of the Progressive Care acquisition on July 1, 2023.

Gross profit margins increased from approximately 25.1% for the six months ended June 30, 2023, to 30.8% for the six months ended June 30, 2024. The increase in gross profit in 2024 compared to the same period in 2023, was primarily attributable to the Healthcare Operations as a result of the Progressive Care acquisition on July 1, 2023.

Loss before other income increased by approximately \$8.1 million for the six months ended June 30, 2024, when compared to the six months ended June 30, 2023, as a result of the increase in operating expenses of approximately \$17.2 million, partially offset by the increase in gross profit of approximately \$9.1 million. See detailed discussion below.

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

Our revenues were as follows (in thousands):

	Six Months Ended June 30,					
	2024		2023		\$ Change	% Change
	Dollars	% of Revenue	Dollars	% of Revenue		
Sales of products, net:						
Pharmacy prescription and other revenue, net of PBM fees	\$ 21,845	63%	\$ -	-%	\$ 21,845	100%
e-Commerce revenue	6,377	18%	5,834	100%	543	9%
Sub total	28,222	82%	5,834	100%	22,388	384%
Revenues from services:						
Pharmacy 340B contract revenue	6,260	18%	-	-%	6,260	100%
Revenues, net	\$ 34,482	100%	\$ 5,834	100%	28,648	491%

Sales for the six months ended June 30, 2024, consisted primarily of e-Commerce sales of satellite phones, tracking devices, accessories, airtime plans, and pharmacy prescription, and 340B contract revenues. For the six months ended June 30, 2024, overall revenues were approximately \$34.4 million compared to \$5.8 million of revenues for the six months ended June 30, 2023, an increase in of approximately \$28.6 million or 491.1%.

Total e-Commerce revenues were approximately \$6.3 million and \$5.8 million for the six months ended June 30, 2024 and 2023, respectively, an increase of approximately \$0.5 million mainly due to the Outfitter acquisition on April 1, 2024.

Total pharmacy prescription and 340B contract revenues were approximately \$28.1 million for the six months ended June 30, 2024 as a result of the Progressive Care acquisition on July 1, 2023. The pharmacy filled approximately 266,000 prescriptions for the six months ended June 30, 2024.

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

Our operating expenses were as follows (in thousands):

	Six Months Ended June 30,			
	2024	2023	\$ Change	% Change
	(Unaudited)	(Unaudited)		
Selling, general and administrative	\$ 4,220	\$ 3,308	\$ 912	28%
Salaries, wages and payroll taxes	5,409	1,556	3,853	248%
Impairment loss	9,924	-	9,924	100%
Professional fees	1,989	865	1,124	130%
Depreciation and amortization	1,810	330	1,480	448%
Operating expenses	\$ 23,352	\$ 6,059	\$ 17,293	285%

Total operating expenses for the six months ended June 30, 2024, were approximately \$23.3 million, an increase of approximately \$17.3 million or 285.4% from total operating expenses for the six months ended June 30, 2023, of approximately \$6.0 million. Factors contributing to the increase are described below.

Selling, general and administrative (“SG&A”) expenses were approximately \$4.2 million and \$3.3 million for the six months ended June 30, 2024 and 2023, respectively, an increase of approximately \$0.9 million or 27.6%. The increase for the six months ended June 30, 2024, was mainly attributable to an increase in \$1.7 million as it relates to operating expenses of the Healthcare Operations as a result of the Progressive Care acquisition on July 1, 2023, and partially offset by the decrease in stock-based compensation of approximately \$0.8 million.

Salaries, wages and payroll taxes were approximately \$5.4 million and \$1.5 million for the six months ended June 30, 2024 and 2023, respectively, an increase of approximately \$3.8 million or 247.6%. The increase was mainly attributable to the Healthcare Operations as a result of the Progressive Care acquisition as of July 1, 2023, of approximately \$4.3 million, partially offset by a decrease in e-Commerce salaries and wages of approximately \$0.4 million.

The Company performed a goodwill impairment test during the six months ended June 30, 2024 and it was determined that the carrying amount of goodwill at June 30, 2024 exceeded its fair value resulting in the Company recording a non-cash impairment charge of approximately \$0.7 million during the period, recorded to the Healthcare Operations reporting segment. As of June 30, 2024, there was no remaining goodwill as it relates to the Healthcare Operations reporting segment. Refer to Note 13. Goodwill and Intangible Assets for additional details on the impairment charges, valuation methodologies, and inputs used in the fair value measurements.

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

The Company performed a long-lived assets impairment test as it relates to the Healthcare Operations reporting segment during the six months ended June 30, 2024 and it was determined that the carrying amount of the asset group at June 30, 2024 exceeded its fair value resulting in the Company recording a non-cash impairment charge to certain long-lived assets, primarily intangible assets, of approximately \$9.1 million during the period. Refer to Note 13. Goodwill and Intangible Assets for additional details on the impairment charges, valuation methodologies, inputs used in the fair value measurements, and the changes in intangible assets for the period.

The Company recorded approximately \$0.1 million of impairment loss related to the write-down of a right-of-use asset as a result of taking the leased equipment out of service and not returning to service in the future. This was recorded to the Healthcare Operations reporting segment for the six months ended June 30, 2024

Professional fees were approximately \$1.9 million and \$0.8 million for the six months ended June 30, 2024 and 2023, respectively, an increase of approximately \$1.1 million or 129.9%. The increase was mainly attributable to legal and consulting fees as it relates to the Healthcare Operations as a result of the Progressive Care acquisition as of July 1, 2023, of approximately \$0.9 million, and legal and consulting fees associated with the e-Commerce business of approximately \$0.2 million.

Depreciation and amortization expenses were approximately \$1.8 million and \$0.3 million for the six months ended June 30, 2024 and 2023, respectively, an increase of approximately \$1.5 million or 448.5%. The increase was mainly attributable to depreciation and amortization as it relates to the Healthcare Operations from the Progressive Care acquisition on July 1, 2023, of approximately \$1.5 million.

Total Other Income.

Our total other income decreased by approximately \$217,000 for the six months ended June 30, 2024 when compared to the same period in 2023, and was mainly due to non-recurring write off of aged payables of approximately \$0.2 million and Progressive Care management fee of approximately \$0.1 million which was eliminated in consolidation during 2024 as a result of Progressive Care acquisition on July 1, 2023, change in foreign exchange rate of approximately \$0.1 million, and partially offset by interest received of approximately \$0.2 million.

Equity Method Investment.

For the six months ended June 30, 2023, we recorded a net loss in the equity of our affiliate, Progressive Care, of approximately \$1.4 million which was accounted for as an equity method investment. Effective July 1, 2023, Progressive Care became a consolidated subsidiary of the Company, which resulted in a change in the accounting treatment from equity method to consolidation.

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

We recorded net losses of approximately \$12.4 million and \$5.5 million for the six months ended June 30, 2024 and 2023, respectively. The increase was a result of the factors described above.

Comprehensive Loss.

We recorded comprehensive losses for foreign currency translation adjustments of approximately \$9,000 and \$35,000 for the six months ended June 30, 2024 and 2023, respectively. The change was primarily attributed to exchange rate variances.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. As of June 30, 2024, we had a cash balance of approximately \$24.9 million. Our working capital was approximately \$29.3 million at June 30, 2024.

Our current assets at June 30, 2024 decreased by 3.7% from December 31, 2023 primarily due to the Outfitter acquisition as of April 1, 2024.

Our current liabilities at June 30, 2024 decreased approximately \$1.5 million from December 31, 2023 primarily due to the decrease in accounts payable as it relates to the timing of vendor payments.

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

The following table summarizes our cash flows (in thousands):

	For the Six Months Ended June 30,	
	2024	2023
Net change in cash from:		
Operating activities	\$ (379)	\$ (3,300)
Investing activities	(981)	(1,103)
Financing activities	(34)	6,153
Effect of exchange rate on cash	(36)	(35)
Change in cash	(1,430)	1,715
Cash at end of period	\$ 24,877	\$ 20,606

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

Cash Flow from Operating Activities

Net cash flows used by operating activities totaled approximately \$0.4 million and \$3.3 million for the six months ended June 30, 2024 and 2023, respectively, and changed by approximately \$2.9 million period over period. The favorable change of approximately \$2.9 million was primarily attributable to the following when compared period over period:

- an unfavorable change in net loss of approximately \$6.9 million;
- a favorable change in other non-cash items of approximately \$9.3 million and include stock-based compensation, amortization, depreciation, impairment losses, and loss in equity of equity method investment;
- a favorable change in operating assets of approximately \$1.7 million and mainly a result of an increase in inventory and prepaid expenses, and a decrease in accounts receivable, mainly due to the acquisitions of Progressive Care as of July 1, 2023 and Outfitter as of April 1, 2024;
- an unfavorable change in operating liabilities of approximately \$1.2 million and mainly a result of decreased accounts payable due to timing of vendor payments and the acquisition of Progressive Care as of July 1, 2023.

Cash Flow from Investing Activities

Net cash flows used in investing activities were approximately \$1.0 million for both six months ended June 30, 2024 and 2023. The cash outflow in 2024 was attributable to the acquisition of Outfitter, compared to the cash outflow in 2023 due to the additional investment in Progressive Care.

Cash Flow from Financing Activities

Net cash flows used in financing activities were approximately \$34,000 for the six months ended June 30, 2024 primarily attributable to the repayment of notes payable, compared to cash provided by financing activities of approximately \$6,153,000 for the six months ended June 30, 2023 primarily attributable the proceeds from a capital raise.

Off-Balance Sheet Arrangements

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. In accordance with Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (“Exchange Act”) we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness and design of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act), as of the end of the period covered by this report. Based on such evaluation, our CEO and CFO have concluded that as of June 30, 2024, our disclosure controls and procedures were 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 our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

(b) 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 error 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.

(c) Changes in internal controls over financial reporting. There has been no change in our internal control over financial reporting during our fiscal quarter ended June 30, 2024, that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On June 22, 2021, Thomas Seifert's employment as the Company's Chief Financial Officer was terminated for cause. Mr. Seifert asserts that the termination was not for cause and that he is owed compensation payable under his June 2, 2021 employment agreement. The Company's position is that Mr. Seifert is not owed any additional compensation relating to his prior service with the Company or arising under any employment agreement. The Company and Mr. Seifert are currently engaged in litigation over the matter of his employment and termination. The Company believes it has adequate defenses to Mr. Seifert's claims and has asserted affirmative claims for relief against Mr. Seifert including, but not limited to, breach of the employment agreement, breach of 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.

A jury trial is set to occur during the trial court's two-week trial calendar, starting October 21, 2024.

On June 17, 2024, the Progressive Care was notified of a potential claim that a former employee allegedly suffered a loss due to a breach by Progressive Care of an employment contract with the former employee. Management believes, based on discussions with its legal counsel, that Progressive Care has meritorious defenses against the potential claim. Progressive Care will vigorously defend this matter if such claim is ultimately litigated or brought before an arbitrator. We cannot reasonably estimate the amount of the loss.

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

ITEM 1A. RISK FACTORS.

Investors should carefully consider the risks in the "Risk Factors" in Part 1: Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on April 11, 2024, and our other filings with the SEC. These risks are not the only ones facing the Company. Additional risks not currently known to us or that we currently believe are immaterial may also impair our business operations. Any of these risks could adversely affect our business, cash flows, financial condition, and results of operations. The trading price of our common stock could fluctuate due to any of these risks, and investors may lose all or part of their investment. In assessing these risks, investors should also refer to the other information contained or incorporated by reference in this Quarterly Report on Form 10-Q. There have been no material changes in our risk factors from those discussed in our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 5. OTHER INFORMATION

On August 11, 2024, the Company entered into a new employment agreement with David Phipps, the Company's President and Chief Executive Officer of Global Operations. The employment agreement has an initial term of three year and thereafter automatically renews for additional terms of one year each. Pursuant to the new employment agreement, Mr. Phipps's annual base salary is set at \$350,000 per year and Mr. Phipps is entitled to receive an automobile allowance of \$1,000 per month, a monthly bonus payment of \$3,000, which is renewable on a quarterly basis until terminated by the Board, and an annual cash bonus if the Company exceeds criteria adopted by the Compensation Committee of the Board.

Rule 10b5-1 Trading Arrangement

During the three months ended June 30, 2024, no director or officer of the Company adopted or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

2.1*	Merger Agreement and Plan of Reorganization by and among NextPlat Corp., Progressive Care LLC, and Progressive Care Inc., dated April 12, 2024 (incorporated by reference from Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on April 17, 2024).
10.1	Form of Lock-Up Agreement (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on April 17, 2024).
10.2	Employment Agreement, Dated as of August 11, 2024, by and between the Company and David Phipps.
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.ins	Inline XBRL Instance Document
101.sch	Inline XBRL Taxonomy Schema Document
101.cal	Inline XBRL Taxonomy Calculation Document
101.def	Inline XBRL Taxonomy Linkbase Document
101.lab	Inline XBRL Taxonomy Label Linkbase Document
101.pre	Inline XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Portions of this document have been omitted because they are not material and are the type that the Company treats as private and confidential.

SIGNATURES

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

Dated: August 13, 2024

NEXTPLAT CORP

By: /s/ Charles M. Fernandez

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

/s/ Cecile Munnik

Cecile Munnik
Chief Financial Officer
(Principal Financial Officer)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made and entered into as of this 11th day of August 2024 (the “Effective Date”), by and between NEXTPLAT CORP, a Nevada corporation with offices at 3250 Mary St., Suite 410, Coconut Grove, FL 33133 (the “Corporation”), and DAVID PHIPPS (the “Employee”), under the following circumstances:

RECITALS:

- A. The Corporation desires to secure the services of the Employee upon the terms and conditions hereinafter set forth; and
- B. The Employee desires to render services to the Corporation upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, the parties mutually agree as follows:

1. Employment. The Corporation hereby employs the Employee and the Employee hereby accepts employment as an Employee of the Corporation, subject to the terms and conditions set forth in this Agreement.
2. Duties. The Employee shall serve as **President & CEO of Global Operations** of the Corporation, with such duties, responsibilities and authority as are commensurate and consistent with his position, as may be, from time to time, assigned to him by the Board of Directors (the “Board”) of the Corporation. The Executive shall also serve as a member of the Company’s Board. During the Term (as defined in Section 3), the Employee shall devote all of his full business time and efforts to the performance of his duties hereunder unless otherwise authorized by the Board. Notwithstanding the foregoing, the expenditure of reasonable amounts of time by the Employee for the making of passive personal investments, the conduct of business affairs and charitable and professional activities shall be allowed, provided such activities do not materially interfere with the services required to be rendered to the Corporation hereunder and do not violate the restrictive covenants set forth in Section 9 below. Employee shall notify Corporation of any physical, mental or emotional incapacity resulting from injury, sickness or disease that affects Employee’s ability to carry out the duties and responsibilities of Employee’s position.
3. Term of Employment. The term of the Employee’s employment hereunder, unless sooner terminated as provided herein (the “Initial Term”), shall be for a period of three (3) years. The term of this Agreement shall automatically be extended for additional terms of one (1) year each (each a “Renewal Term”) unless either party gives prior written notice of non-renewal to the other party no later than thirty (30) days prior to the expiration of the Initial Term (“Non-Renewal Notice”), or the then current Renewal Term, as the case may be. For purposes of this Agreement, the Initial Term and any Renewal Term are hereinafter collectively referred to as the “Term.”
4. Compensation of Employee.
 - (a) The Corporation (and/or a subsidiary of the Corporation) shall pay the Employee as compensation for his services hereunder, in monthly installments during the Term, the equivalent sum of \$350,000 USD (the “Annual Base Salary”), less such deductions as shall be required to be withheld by applicable law and regulations and monthly advances against the salary. The Corporation shall review the Base Salary on an annual basis and has the right, but not the obligation, to increase, but such salary shall not be decreased during the Term.
 - (b) In addition to the Base Salary set forth in Section 4(a), the Employee shall be entitled to receive (i) an auto allowance in the amount of \$1,000 per month, and (ii) a monthly bonus payment of \$3,000 renewable on a quarterly basis until terminated by the Board upon 30 days’ prior notice, and (iii) an annual cash bonus if the Corporation meets or exceeds criteria adopted by the Compensation Committee of the Board of Directors (the “Compensation Committee”) for earning bonuses which criteria shall be adopted by the Compensation Committee annually.
 - (c) Equity Awards. Employee shall be eligible for such grants of awards under stock option or other equity incentive plans of the Corporation adopted by the Board and approved by the Corporation’s stockholders (or any successor or replacement plan adopted by the Board and approved by the Corporation’s stockholders) (the “Plan”) as the Compensation Committee of the Corporation may from time to time determine (the “Share Awards”). Share Awards shall be subject to the applicable Plan terms and conditions, provided, however, that Share Awards shall be subject to any additional terms and conditions as are provided herein or in any award certificate(s), which shall supersede any conflicting provisions governing Share Awards provided under the Plan.
 - (d) The Corporation shall pay or reimburse the Employee for all reasonable out-of-pocket expenses actually incurred or paid by the Employee in the course of his employment, consistent with the Corporation’s policy for reimbursement of expenses which may be modified from time to time without notice.
 - (e) The Employee shall be entitled to participate in such pension, profit sharing, group insurance, hospitalization, and group health and benefit plans and all other benefits and plans, including prerequisites, if any, as the Corporation provides to its senior Employees (the “Benefit Plans”).

5. Termination.

- (a) This Agreement and the Employee’s employment hereunder shall terminate upon the happening of any of the following events:
 - (i) upon the Employee’s death;
 - (ii) upon the Employee’s “Total Disability” (as defined in Section 22(c) of the Internal Revenue Code of 1986, as amended);
 - (iii) upon the expiration of the Initial Term of this Agreement or any Renewal Term thereof, if either party has provided a timely notice of non-renewal in accordance with Section 3, above;
 - (iv) at the Employee’s option, upon thirty (30) days prior written notice to the Corporation;
 - (v) at the Employee’s option, in the event of an act by the Corporation, defined in Section 5(c), below, as constituting “Good Reason” for termination by the Employee; and
 - (vi) at the Corporation’s option, in the event of an act by the Employee, defined in Section 5(d), below, as constituting “Cause” for termination by the Corporation.
 - (vii) Nothing in this Section 5(b) shall be construed to waive the Employee’s rights, if any, under existing law including, without limitation, the Family and Medical Leave Act of 1993, 29 U.S.C. s.2601 *et seq.* and the Americans with Disabilities Act, 42 U.S.C. s12101 *et seq.*

(b) For purposes of this Agreement, the term “Good Reason” shall mean that the Employee has resigned due to (i) a significant diminution of duties inconsistent with Employee’s title, authority, duties and responsibilities, provided that Employee provides written notice of such resignation within five (5) business days of notification of such significant diminution of duties. Employee acknowledges that relinquishing the CEO title to Charles Fernandez and accepting the President title (or something similar) does not constitute “Good Reason”; (ii) any reduction of or failure to pay Employee compensation provided for herein, except to the extent Employee consents in writing prior to any reduction, deferral or waiver of compensation, which non-payment continues for a period of ten (10) days following written notice to the Corporation by Employee of such non-payment; (iii) any relocation of the principal location of Employee’s employment outside of the United Kingdom or in a manner which makes remote work environment unfeasible without the Employee’s prior written consent; (iv) at any time following the consummation of any Change in Control Transaction (as defined below); (v) any material violation by the Corporation of its obligations under this Agreement that is not cured within thirty (30) days after receipt of written notice thereof from the Employee. For purposes of this Agreement, the term “Change in Control Transaction” means the sale of the Corporation or its predecessor to an un-affiliated person or entity or group of un-affiliated persons or entities pursuant to which such party or parties acquire (i) shares of capital stock of the Corporation representing at least fifty percent (50%) of outstanding capital stock or sufficient to elect a majority of the Board of the Corporation (whether by merger, consolidation, sale or transfer of shares (other than a merger where the Corporation is the surviving corporation and the shareholders and directors of the Corporation prior to the merger constitute a majority of the shareholders and directors, respectively, of the surviving corporation (or its parent)) or (ii) all or substantially all of the Corporation’s assets determined on a consolidated basis.

(c) For purposes of this Agreement, the term “Cause” shall mean:

- (i) conviction of a felony or a crime involving fraud or moral turpitude; or
- (ii) theft, material act of dishonesty or fraud, intentional falsification of any employment or Corporation records, or commission of any criminal act which impairs Employee’s ability to perform appropriate employment duties for the Corporation; or
- (iii) intentional or reckless conduct or gross negligence materially harmful to the Corporation or the successor to the Corporation after a Change in Control Transaction, including violation of a non-competition or confidentiality agreement; or
- (iv) willful failure to follow lawful and reasonable instructions of the person or body to which Employee reports, which failure, if curable, is not cured within thirty (30) days after written notice to the Employee thereof; or
- (v) gross negligence or willful misconduct in the performance of Employee’s assigned duties; or
- (vi) any material breach of this Agreement by Employee, which breach, if curable, is not cured within fifteen (15) days after written notice to the Employee of such breach.

6. Effects of Termination.

(a) Upon termination of the Employee’s employment pursuant to Section 5(a)(i) or (ii), in addition to the accrued but unpaid compensation through the date of death or Total Disability and any other benefits accrued to him under any Benefit Plans outstanding at such time and the reimbursement of documented, unreimbursed expenses incurred prior to such date, the Employee or his estate or beneficiaries, as applicable, shall be entitled to the following severance benefits: (i) continued provision for a period of twelve (12) months following the Employee’s death or Total Disability of benefits under Benefit Plans extended from time to time by the Corporation to its senior Employees; and (ii) payment on a pro-rated basis of any bonus or other payments earned in connection with any bonus plan to which the Employee was a participant as of the date of death or Total Disability earned prior to the date of termination.

(b) Upon termination of the Employee’s employment pursuant to Section 5(a)(iii), where the Corporation has offered to renew the term of the Employee’s employment for an additional one (1) year period and the Employee chooses not to continue in the employ of the Corporation, the Employee shall be entitled to receive only the accrued but unpaid compensation through the date of termination and any other benefits accrued to him under any Benefit Plans outstanding at such time and the reimbursement of documented, unreimbursed expenses incurred prior to such date. In the event the Corporation tenders a Non-Renewal Notice to the Employee, then the Employee shall be entitled to the same severance benefits as if the Employee’s employment were terminated pursuant to Section 5(a)(v); provided, however, if such Non-Renewal Notice was triggered due to the Corporation’s statement that the Employee’s employment was terminated due to Section 5(a)(vi) (for “Cause”), then payment of severance benefits will be contingent upon a determination as to whether termination was properly for “Cause.”

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

(d) Upon termination of the Employee’s employment pursuant to Section 5(a)(iv) or (vi), in addition to the reimbursement of documented, unreimbursed expenses incurred prior to such date, the Employee shall be entitled to the following severance benefits: (i) accrued and unpaid Base Salary through the date of termination, less withholding of applicable taxes and any other benefits accrued to him under any Benefit Plans outstanding at such time; and (ii) continued provision, for a period of one (1) month after the date of the Employee’s termination of employment, of benefits under Benefit Plans extended to the Employee at the time of termination. Employee shall have any conversion rights available under the Corporation’s Benefit Plans and as otherwise provided by law, including the Comprehensive Omnibus Budget Reconciliation Act.

(e) Any payments required to be made hereunder by the Corporation to the Employee shall continue to the Employee’s beneficiaries in the event of his death until paid in full.

7. Time Off. In addition to standard holidays, the Employee shall be entitled to take reasonable amounts of time off for vacation, illness, and personal matters during which period his salary shall be paid in full. Discretionary absences of longer than one week should be scheduled at such time or times as the Employee and the Corporation shall determine is mutually convenient.

8. Disclosure of Confidential Information.

(a) The Employee recognizes, acknowledges and agrees that he has had and will continue to have access to secret and confidential information regarding the Corporation, its subsidiaries and their respective businesses (“Confidential Information”), including but not limited to, its products, methods, formulas, software code, patents, sources of supply, customer dealings, data, know-how, trade secrets and business plans, provided such information (i) is not in or does not hereafter become part of

the public domain, or (ii) became known to others through no fault of the Employee. The Employee acknowledges that such information is of great value to the Corporation, is the sole property of the Corporation, and has been and will be acquired by him in confidence. In consideration of the obligations undertaken by the Corporation herein, the Employee will not, at any time, during or after his employment hereunder, reveal, divulge or make known to any person, any Confidential Information acquired by the Employee during the course of his employment, which is treated as confidential by the Corporation, and not otherwise in the public domain, except as required by law (but only after Employee has provided the Corporation with reasonable notice and opportunity to take action against any legally required disclosure. The provisions of this Section 8 shall survive the termination of the Employee's employment hereunder.

(b) The Employee affirms that he does not possess and will not rely upon the protected trade secrets or confidential or proprietary information of any prior employer(s) in providing services to the Corporation or its subsidiaries, except his prior knowledge of Lighter Than Air Systems Corp. which was acquired by the Corporation.

(c) In the event that the Employee's employment with the Corporation terminates for any reason, the Employee shall deliver forthwith to the Corporation any and all originals and copies, including those in electronic or digital formats, of Confidential Information; provided, however, Employee shall be entitled to retain (i) papers and other materials of a personal nature, including, but not limited to, photographs, correspondence, personal diaries, calendars and rolodexes, personal files and phone books, (ii) information showing his compensation or relating to reimbursement of expenses, (iii) information that he reasonably believes may be needed for tax purposes and (iv) copies of plans, programs and agreements relating to his employment, or termination thereof, with the Corporation.

(d) Post-Termination Assistance. Upon the Employee's termination of employment with the Company, the Employee agrees to fully cooperate in all matters relating to the winding up or pending work on behalf of the Company and the orderly transfer of work to other employees of the Company following any termination of the Employees' employment. The Employee further agrees that Employee will provide, upon reasonable notice, such information and assistance to the Company as may reasonably be requested by the Company in connection with any audit, governmental investigation, litigation, or other dispute in which the Company is or may become a party and as to which the Employee has knowledge; provided, however, that (i) the Company agrees to reimburse the Employee for any related out-of-pocket expenses, including travel expenses, and (ii) any such assistance may not unreasonably interfere with Employee's then current employment.

(e) No Mitigation or Set-Off. In no event shall the Employee be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Employee under any of the provisions of this Agreement and such amounts shall not be reduced, regardless of whether the Employee obtains other employment. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Employee or others; provided, however, the Company shall have the right to offset the amount of any funds loaned or advanced to the Employee and not repaid against any severance obligations the Company may have to the Employee hereunder.

9. Non-Competition and Non-Solicitation.

(a) The Employee agrees and acknowledges that the Confidential Information that the Employee has already received and will receive is valuable to the Corporation and that its protection and maintenance constitutes a legitimate business interest of the Corporation, to be protected by the non-competition restrictions set forth herein. The Employee agrees and acknowledges that the non-competition restrictions set forth herein are reasonable and necessary and do not impose undue hardship or burdens on the Employee. The Employee also acknowledges that the Corporation's business is conducted worldwide (the "Territory"), and that the Territory, scope of prohibited competition, and time duration set forth in the non-competition restrictions set forth below are reasonable and necessary to maintain the value of the Confidential Information of, and to protect the goodwill and other legitimate business interests of, the Corporation, its affiliates and/or its clients or customers. The provisions of this Section 9 shall survive the termination of the Employee's employment hereunder for a period of one (1) year after the termination of Employee's employment for whatever reason, and regardless whether the termination is voluntary or involuntary, within the Territory.

(b) The Employee hereby agrees and covenants that he shall not without the prior written consent of the Corporation, directly or indirectly, in any capacity whatsoever, including, without limitation, as an employee, employer, consultant, principal, partner, shareholder, officer, director or any other individual or representative capacity (other than (i) as a holder of less than two (2%) percent of the outstanding securities of a company whose shares are traded on any national securities exchange or (ii) as a limited partner, passive minority interest holder in a venture capital fund, private equity fund or similar investment entity which holds or may hold an equity or debt position in portfolio companies that are competitive with the Corporation; provided however, that the Employee shall be precluded from serving as an operating partner, general partner, manager or governing board designee with respect to such portfolio companies), whether on the Employee's own behalf or on behalf of any other person or entity or otherwise howsoever, during the Term and for a period of one (1) year after the termination of the Employee's employment for whatever reason, and regardless whether the termination is voluntary or involuntary, within the Territory.

(1) Engage, own, manage, operate, control, be employed by, consult for, participate in, or be connected in any manner with the ownership, management, operation or control of any business in competition with the Business of the Corporation, as defined in the next sentence. "Business" shall mean mobile satellite products and services sector of the global communications industry.

(2) Recruit, solicit or hire, or attempt to recruit, solicit or hire, any employee, or independent contractor of the Corporation to leave the employment (or independent contractor relationship) thereof, whether or not any such employee or independent contractor is party to an employment agreement, for the purpose of competing with the Business of the Corporation.

(3) Attempt in any manner to solicit or accept from any customer of the Corporation, with whom Employee had significant contact during Employee's employment by the Corporation (whether under this Agreement or otherwise), business competitive with the Business done by the Corporation with such customer or to persuade or attempt to persuade any such customer to cease to do business or to reduce the amount of business which such customer has customarily done with the Corporation, or if any such customer elects to move its business to a person other than the Corporation, provide any services of the kind or competitive with the Business of the Corporation for such customer, or have any discussions regarding any such service with such customer, on behalf of such other person for the purpose of competing with the Business of the Corporation; or

(4) Interfere with any relationship, contractual or otherwise, between the Corporation and any other party, including, without limitation, any supplier, distributor, co-venturer or joint venturer of the Corporation, for the purpose of soliciting such other party to discontinue or reduce its business with the Corporation for the purpose of competing with the Business of the Corporation.

With respect to the activities described in Paragraphs (1), (2), (3) and (4) above, the restrictions of this Section 9 shall continue during the Employment Period and, upon termination of the Employee's employment for a period of one (1) year thereafter.

10. Intentionally Omitted.

11. Section 409A.

The provisions of this Agreement are intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and any final regulations and guidance promulgated thereunder ("Section 409A") and shall be construed in a manner consistent with the requirements for avoiding taxes or penalties

under Section 409A. The Corporation and Employee agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Employee under Section 409A.

To the extent that Employee will be reimbursed for costs and expenses or in-kind benefits, except as otherwise permitted by Section 409A, (a) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit, (b) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; provided that the foregoing clause (b) shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect and (c) such payments shall be made on or before the last day of the taxable year following the taxable year in which you incurred the expense.

A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination constitutes a "Separation from Service" within the meaning of Section 409A and, for purposes of any such provision of this Agreement references to a "termination," "termination of employment" or like terms shall mean Separation from Service.

Each installment payable hereunder shall constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b), including Treasury Regulation Section 1.409A-2(b)(2)(iii). Each payment that is made within the terms of the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4) is intended to meet the "short-term deferral" rule. Each other payment is intended to be a payment upon an involuntary termination from service and payable pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii), et. seq., to the maximum extent permitted by that regulation, with any amount that is not exempt from Code Section 409A being subject to Code Section 409A.

Notwithstanding anything to the contrary in this Agreement, if Employee is a "specified employee" within the meaning of Section 409A at the time of Employee's termination, then only that portion of the severance and benefits payable to Employee pursuant to this Agreement, if any, and any other severance payments or separation benefits which may be considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits"), which (when considered together) do not exceed the Section 409A Limit (as defined herein) may be made within the first six (6) months following Employee's termination of employment in accordance with the payment schedule applicable to each payment or benefit. Any portion of the Deferred Compensation Separation Benefits in excess of the Section 409A Limit otherwise due to Employee on or within the six (6) month period following Employee's termination will accrue during such six (6) month period and will become payable in one lump sum cash payment on the date six (6) months and one (1) day following the date of Employee's termination of employment. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Employee dies following termination but prior to the six (6) month anniversary of Employee's termination date, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Employee's death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit.

For purposes of this Agreement, "Section 409A Limit" will mean a sum equal (x) to the amounts payable prior to March 15 following the year in which Employee terminations plus (y) the lesser of two (2) times: (i) Employee's annualized compensation based upon the annual rate of pay paid to Employee during the Corporation's taxable year preceding the Corporation's taxable year of Employee's termination of employment as determined under Treasury Regulation 1.409A-1(b)(9)(iii) (A)(1) and any IRS guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which Employee's employment is terminated.

12. Miscellaneous.

a. The Employee acknowledges that the services to be rendered by him under the provisions of this Agreement are of a special, unique and extraordinary character and that it would be difficult or impossible to replace such services. Accordingly, the Employee agrees that any breach or threatened breach by him of Sections 8 or 9 of this Agreement shall entitle the Corporation, in addition to all other legal remedies available to it, to apply to any court of competent jurisdiction to seek to enjoin such breach or threatened breach. The parties understand and intend that each restriction agreed to by the Employee hereinabove shall be construed as separable and divisible from every other restriction, that the unenforceability of any restriction shall not limit the enforceability, in whole or in part, of any other restriction, and that one or more or all of such restrictions may be enforced in whole or in part as the circumstances warrant. In the event that any restriction in this Agreement is more restrictive than permitted by law in the jurisdiction in which the Corporation seeks enforcement thereof, such restriction shall be limited to the extent permitted by law. The remedy of injunctive relief herein set forth shall be in addition to, and not in lieu of, any other rights or remedies that the Corporation may have at law or in equity.

b. Neither the Employee nor the Corporation may assign or delegate any of their rights or duties under this Agreement without the express written consent of the other; provided however that the Corporation shall have the right to delegate its obligation of payment of all sums due to the Employee hereunder, provided that such delegation shall not relieve the Corporation of any of its obligations hereunder.

c. This Agreement constitutes and embodies the full and complete understanding and agreement of the parties with respect to the Employee's employment by the Corporation, supersedes all prior understandings and agreements, whether oral or written, between the Employee and the Corporation, and shall not be amended, modified or changed except by an instrument in writing executed by the party to be charged. The invalidity or partial invalidity of one or more provisions of this Agreement shall not invalidate any other provision of this Agreement. No waiver by either party of any provision or condition to be performed shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or any prior or subsequent time.

d. This Agreement shall inure to the benefit of, be binding upon and enforceable against, the parties hereto and their respective successors, heirs, beneficiaries and permitted assigns.

e. The headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

f. All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when personally delivered, sent by registered or certified mail, return receipt requested, postage prepaid, or by private overnight mail service (e.g. Federal Express) to the party at the address set forth above or to such other address as either party may hereafter give notice of in accordance with the provisions hereof. Notices shall be deemed given on the sooner of the date actually received or the third business day after sending.

g. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Florida without reference to principles of conflicts of laws and each of the parties hereto irrevocably consents to the jurisdiction and venue of the federal and state courts located in the State of Florida.

h. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one of the same instrument. The parties hereto have executed this Agreement as of the date set forth above.

CORPORATION:

NEXTPLAT CORP

By: /s/ Charles M. Fernandez

Name: Charles Fernandez

Title: Chief Executive Officer

EMPLOYEE:

/s/ David Phipps

Name: David Phipps

CERTIFICATIONS

I, Charles M. Fernandez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NextPlat Corp for the quarter ended June 30, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2024

/s/ Charles M. Fernandez

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

CERTIFICATIONS

I, Cecile Munnik, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NextPlat Corp for the quarter ended June 30, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2024

/s/ Cecile Munnik

Cecile Munnik
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report of NextPlat Corp (the "Company") on Form 10-Q for the fiscal period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles M. Fernandez, Chief Executive Officer of the Company, and I, Cecile Munnik, Chief Financial Officer of the Company, duly certify pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: August 13, 2024

By: */s/ Charles M. Fernandez*

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

/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.