

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended December 31, 2011

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File Number 0-13928

U.S. GLOBAL INVESTORS, INC.
(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

74-1598370
(IRS Employer Identification No.)

7900 Callaghan Road
San Antonio, Texas
(Address of principal executive offices)

78229-1234
(Zip Code)

(210) 308-1234
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

On January 20, 2012, there were 13,862,505 shares of Registrant's class A nonvoting common stock issued and 13,372,482 shares of Registrant's class A nonvoting common stock issued and outstanding, no shares of Registrant's class B nonvoting common shares outstanding, and 2,073,043 shares of Registrant's class C voting common stock issued and outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

Assets	December 31, 2011 (UNAUDITED)	June 30, 2011
Current Assets		
Cash and cash equivalents	\$ 27,150,075	\$ 27,207,896
Trading securities, at fair value	5,222,226	5,703,916
Receivables		
Mutual funds	2,395,924	3,259,251
Offshore clients	26,000	33,828
Income tax	656,468	244,149
Employees	1,200	2,200
Other	8,380	7,391
Prepaid expenses	437,926	816,814
Deferred tax asset	206,667	-
Total Current Assets	<u>36,104,866</u>	<u>37,275,445</u>
Net Property and Equipment	<u>3,418,135</u>	<u>3,547,303</u>
Other Assets		
Deferred tax asset, long term	707,306	482,927
Investment securities available-for-sale, at fair value	4,033,031	4,660,928
Total Other Assets	<u>4,740,337</u>	<u>5,143,855</u>
Total Assets	<u>\$ 44,263,338</u>	<u>\$ 45,966,603</u>

The accompanying notes are an integral part of this statement.

Liabilities and Shareholders' Equity	December 31, 2011	June 30, 2011
	(UNAUDITED)	
Current Liabilities		
Accounts payable	\$ 93,499	\$ 55,181
Accrued compensation and related costs	1,224,535	1,734,267
Deferred tax liability	-	77,432
Dividends payable	926,581	924,672
Other accrued expenses	1,792,827	2,117,604
Total Current Liabilities	<u>4,037,442</u>	<u>4,909,156</u>
Commitments and Contingencies		
Shareholders' Equity		
Common stock (class A) - \$0.025 par value; nonvoting; authorized, 28,000,000 shares; issued, 13,862,505 and 13,862,445 shares at December 31, 2011, and June 30, 2011, respectively	346,563	346,561
Common stock (class B) - \$0.025 par value; nonvoting; authorized, 4,500,000 shares; no shares issued	-	-
Convertible common stock (class C) - \$0.025 par value; voting; authorized, 3,500,000 shares; issued, 2,073,043 and 2,073,103 shares at December 31, 2011, and June 30, 2011, respectively	51,826	51,828
Additional paid-in-capital	15,461,093	15,267,231
Treasury stock, class A shares at cost; 491,523 and 526,583 shares at December 31, 2011, and June 30, 2011, respectively	(1,150,840)	(1,232,929)
Accumulated other comprehensive income, net of tax	629,485	1,042,462
Retained earnings	24,887,769	25,582,294
Total Shareholders' Equity	<u>40,225,896</u>	<u>41,057,447</u>
Total Liabilities and Shareholders' Equity	<u>\$ 44,263,338</u>	<u>\$ 45,966,603</u>

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)

	Six Months Ended December 31,		Three Months Ended December 31,	
	2011	2010	2011	2010
Revenues				
Mutual fund advisory fees	\$ 8,801,575	\$ 12,429,836	\$ 3,340,408	\$ 7,058,638
Distribution fees	2,301,771	2,809,025	1,027,987	1,528,950
Transfer agent fees	2,031,849	2,518,854	940,184	1,315,699
Administrative services fees	746,050	901,082	334,144	491,168
Other advisory fees	177,098	1,159,378	82,401	992,544
Other	21,712	23,406	11,148	13,692
Investment income	(408,607)	989,898	143,268	510,047
	<u>13,671,448</u>	<u>20,831,479</u>	<u>5,879,540</u>	<u>11,910,738</u>
Expenses				
Employee compensation and benefits	5,412,771	6,656,080	2,529,441	3,928,059
General and administrative	3,198,211	4,466,774	1,334,033	2,259,756
Platform fees	2,280,859	2,864,982	998,734	1,536,401
Advertising	782,574	952,084	268,843	459,239
Depreciation	142,158	147,042	70,700	71,990
Subadvisory fees	30,000	144,994	15,000	15,000
	<u>11,846,573</u>	<u>15,231,956</u>	<u>5,216,751</u>	<u>8,270,445</u>
Income Before Income Taxes	1,824,875	5,599,523	662,789	3,640,293
Provision for Federal Income Taxes				
Tax expense	665,975	2,003,544	253,407	1,310,007
Net Income	1,158,900	3,595,979	409,382	2,330,286
Other Comprehensive Income, Net of Tax:				
Unrealized gains (losses) on available-for-sale securities arising during period	(412,977)	564,630	27,097	104,948
Less: reclassification adjustment for gains/losses included in net income	-	(40,630)	-	(40,630)
Comprehensive Income	<u>\$ 745,923</u>	<u>\$ 4,119,979</u>	<u>\$ 436,479</u>	<u>\$ 2,394,604</u>
Basic Net Income per Share	<u>\$ 0.08</u>	<u>\$ 0.23</u>	<u>\$ 0.03</u>	<u>\$ 0.15</u>
Diluted Net Income per Share	<u>\$ 0.08</u>	<u>\$ 0.23</u>	<u>\$ 0.03</u>	<u>\$ 0.15</u>
Basic weighted average number of common shares outstanding	15,430,851	15,368,527	15,435,997	15,372,554
Diluted weighted average number of common shares outstanding	15,431,179	15,368,527	15,436,119	15,372,554

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended December 31,	
	2011	2010
Cash Flows from Operating Activities:		
Net income	\$ 1,158,900	\$ 3,595,979
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	142,158	147,042
Net recognized loss on disposal of fixed assets	-	154,216
Net recognized loss (gain) on securities	2,675	(62,864)
Provision for deferred taxes	(302,407)	378,821
Stock bonuses	172,223	113,796
Stock-based compensation expense	17,542	18,913
Changes in operating assets and liabilities:		
Accounts receivable	458,847	(1,847,625)
Prepaid expenses	378,888	(98,794)
Trading securities	479,052	(803,033)
Accounts payable and accrued expenses	(796,191)	573,732
Total adjustments	<u>552,787</u>	<u>(1,425,796)</u>
Net cash provided by operating activities	<u>1,711,687</u>	<u>2,170,183</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(12,990)	(51,894)
Purchase of available-for-sale securities	(2,332)	(1,039,639)
Proceeds on sale of available-for-sale securities	-	99,287
Return of capital on investment	<u>4,470</u>	<u>21,334</u>
Net cash used in investing activities	<u>(10,852)</u>	<u>(970,912)</u>
Cash Flows from Financing Activities:		
Issuance of common stock	92,861	94,357
Dividends paid	<u>(1,851,517)</u>	<u>(1,844,191)</u>
Net cash used in financing activities	<u>(1,758,656)</u>	<u>(1,749,834)</u>
Net decrease in cash and cash equivalents	(57,821)	(550,563)
Beginning cash and cash equivalents	<u>27,207,896</u>	<u>23,837,479</u>
Ending cash and cash equivalents	<u>\$ 27,150,075</u>	<u>\$ 23,286,916</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid for income taxes	\$ 990,000	\$ 1,325,000

The accompanying notes are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

U.S. Global Investors, Inc. (the “Company” or “U.S. Global”) has prepared the consolidated financial statements pursuant to accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the rules and regulations of the United States Securities and Exchange Commission (“SEC”) that permit reduced disclosure for interim periods. The financial information included herein reflects all adjustments (consisting solely of normal recurring adjustments), which are, in management’s opinion, necessary for a fair presentation of results for the interim periods presented. The Company has consistently followed the accounting policies set forth in the notes to the consolidated financial statements in the Company’s Form 10-K for the fiscal year ended June 30, 2011.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, United Shareholder Services, Inc. (“USSI”), U.S. Global Investors (Guernsey) Limited, U.S. Global Brokerage, Inc., and U.S. Global Investors (Bermuda) Limited.

All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts have been reclassified for comparative purposes. The results of operations for the six months ended December 31, 2011, are not necessarily indicative of the results to be expected for the entire year.

The unaudited interim financial information in these condensed financial statements should be read in conjunction with the consolidated financial statements contained in the Company’s annual report.

Recent Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, *Improving Disclosures about Fair Value Measurements*. This ASU added new requirements for disclosures into and out of Levels 1 and 2 fair-value measurements and information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements. It also clarified existing fair value disclosures about the level of disaggregation, inputs and valuation techniques. Except for the detailed Level 3 reconciliation disclosures, the guidance in the ASU was effective for annual and interim reporting periods in fiscal years beginning after December 15, 2009. The new disclosures for Level 3 activity are effective for annual and interim reporting periods in fiscal years beginning after December 15, 2010. The adoption of ASU 2010-06 by the Company did not have a material effect on its consolidated financial statements except for enhanced disclosure in the notes to its consolidated financial statements.

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The ASU expands existing disclosure requirements and amends some fair value measurement principles. The ASU is effective for interim periods beginning on or after December 15, 2011, with early adoption prohibited and prospective application required. Management is evaluating the ASU and its potential impact on the financial statements.

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income*. This standard eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Under this guidance, an entity can elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. This guidance is effective for publicly traded companies for fiscal years beginning after December 15, 2011 and interim and annual periods thereafter. Early adoption is permitted, but full retrospective application is required. As the Company reports comprehensive income within its consolidated statement of operations, the adoption of this guidance will not result in a change in the presentation of comprehensive income in the Company’s consolidated financial statements.

In December 2011, the FASB issued ASU no. 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. This standard indefinitely defers certain provisions of ASU 2011-05 (described above). The amendments take effect for fiscal years and interim periods within those years beginning after Dec. 15, 2011. The adoption of this guidance will not result in a change in the presentation of comprehensive income in the Company's consolidated financial statements.

NOTE 2. DIVIDEND

Payment of cash dividends is within the discretion of the Company's board of directors and is dependent on earnings, operations, capital requirements, general financial condition of the Company, and general business conditions. A monthly dividend of \$0.02 per share is authorized through March 2012 and will be reviewed by the board quarterly.

NOTE 3. INVESTMENTS

As of December 31, 2011, the Company held investments with a market value of approximately \$9.3 million and a cost basis of approximately \$9.0 million. The market value of these investments is approximately 20.9 percent of the Company's total assets.

Investments in securities classified as trading are reflected as current assets on the consolidated balance sheet at their fair market value. Unrealized holding gains and losses on trading securities are included in earnings in the consolidated statements of operations and comprehensive income.

Investments in securities classified as available-for-sale, which may not be readily marketable, are reflected as non-current assets on the consolidated balance sheet at their fair value. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income as a separate component of shareholders' equity until realized.

The Company records security transactions on trade date. Realized gains (losses) from security transactions are calculated on the first-in/first-out cost basis, unless otherwise identifiable, and are recorded in earnings on the date of sale.

The following summarizes the market value, cost, and unrealized gain or loss on investments as of December 31, 2011, and June 30, 2011.

Securities	Market Value	Cost	Unrealized Gain (Loss)	Unrealized holding gains on available-for-sale securities, net of tax
Trading ¹	\$ 5,222,226	\$ 5,960,634	\$ (738,408)	N/A
Available-for-sale ²	<u>4,033,031</u>	<u>3,079,265</u>	<u>953,766</u>	\$ 629,485
Total at December 31, 2011	<u>\$ 9,255,257</u>	<u>\$ 9,039,899</u>	<u>\$ 215,358</u>	
Trading ¹	\$ 5,703,916	\$ 5,963,272	\$ (259,356)	N/A
Available-for-sale ²	<u>4,660,928</u>	<u>3,081,439</u>	<u>1,579,489</u>	\$ 1,042,462
Total at June 30, 2011	<u>\$ 10,364,844</u>	<u>\$ 9,044,711</u>	<u>\$ 1,320,133</u>	

¹Unrealized and realized gains and losses on trading securities are included in earnings in the statement of operations.

²Unrealized gains and losses on available-for-sale securities are excluded from earnings and recorded in other comprehensive income as a separate component of shareholders' equity until realized.

The following details the components of the Company's available-for-sale investments as of December 31, 2011, and June 30, 2011.

	December 31, 2011 (in thousands)			
	Cost	Gross Unrealized		Market Value
		Gains	(Losses)	
Available-for-sale securities				
Common stock	\$ 919	\$ 392	\$ (58)	\$ 1,253
Venture capital investments	130	139	(13)	256
Mutual funds	2,030	497	(3)	2,524
Total available-for-sale securities	\$ 3,079	\$ 1,028	\$ (74)	\$ 4,033

	June 30, 2011 (in thousands)			
	Cost	Gross Unrealized		Market Value
		Gains	(Losses)	
Available-for-sale securities				
Common stock	\$ 917	\$ 777	\$ (4)	\$ 1,690
Venture capital investments	134	122	(13)	243
Mutual funds	2,030	698	-	2,728
Total available-for-sale securities	\$ 3,081	\$ 1,597	\$ (17)	\$ 4,661

The following tables show the gross unrealized losses and fair values of available-for-sale investment securities with unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	December 31, 2011 (in thousands)					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities						
Common stock	\$ 129	\$ (58)	\$ -	\$ -	\$ 129	\$ (58)
Venture capital investments	112	(13)	-	-	112	(13)
Mutual funds	17	(3)	-	-	17	(3)
Total available-for-sale securities	\$ 258	\$ (74)	\$ -	\$ -	\$ 258	\$ (74)

	June 30, 2011 (in thousands)					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities						
Common stock	\$ 31	\$ (4)	\$ -	\$ -	\$ 31	\$ (4)
Venture capital investments	112	(13)	-	-	112	(13)
Mutual funds	-	-	-	-	-	-
Total available-for-sale securities	\$ 143	\$ (17)	\$ -	\$ -	\$ 143	\$ (17)

Investment income can be volatile and varies depending on market fluctuations, the Company's ability to participate in investment opportunities, and timing of transactions. A significant portion of the unrealized gains and losses for the three and six months ended December 31, 2011, is concentrated in a small number of issuers. The Company expects that gains and losses will continue to fluctuate in the future.

Investment income (loss) from the Company's investments includes:

- realized gains and losses on sales of securities;
- unrealized gains and losses on trading securities;
- realized foreign currency gains and losses;
- other-than-temporary impairments on available-for-sale securities; and
- dividend and interest income.

The following summarizes investment income reflected in earnings for the periods discussed:

Investment Income	Six Months Ended December 31,	
	2011	2010
Realized gains on sales of available-for-sale securities	\$ -	\$ 62,864
Realized losses on sales of trading securities	(2,638)	-
Unrealized gains (losses) on trading securities	(479,052)	803,033
Realized foreign currency losses	(393)	(3,833)
Other-than-temporary declines in available-for-sale securities	(37)	-
Dividend and interest income	73,513	127,834
Total Investment Income (Loss)	\$ (408,607)	\$ 989,898

Investment Income	Three Months Ended December 31,	
	2011	2010
Realized gains on sales of available-for-sale securities	\$ -	\$ 61,561
Unrealized gains on trading securities	112,510	347,887
Realized foreign currency losses	(357)	(2,402)
Dividend and interest income	31,115	103,001
Total Investment Income	\$ 143,268	\$ 510,047

NOTE 4. FAIR VALUE DISCLOSURES

Accounting Standards Codification (ASC) 820, *Fair Value Measurement and Disclosures* (formerly SFAS 157), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value and requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy (i.e., Levels 1, 2, and 3 inputs, as defined below). The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Additionally, companies are required to provide enhanced disclosures regarding instruments in the Level 3 category (which have inputs to the valuation techniques that are unobservable and require significant management judgment), including a reconciliation of the beginning and ending values separately for each major category of assets or liabilities.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities at the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, value of these products does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the fair value measurement.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

For actively traded securities, the Company values investments using the closing price of the securities on the exchange or market on which the securities principally trade. If the security is not actively traded, it is valued based on the last bid and/or ask quotation. Securities that are not traded on an exchange or market are generally valued at cost, monitored by management and fair value adjusted as considered necessary. The Company values the mutual funds, offshore funds and a venture capital investment at net asset value.

The following table presents fair value measurements, as of December 31, 2011, for the three major categories of U.S. Global's investments measured at fair value on a recurring basis:

	Fair Value Measurement using (in thousands)			
	Quoted Prices (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Trading securities				
Common stock	\$ 229	\$ 12	\$ -	\$ 241
Mutual funds	3,947	-	-	3,947
Offshore fund	-	1,034	-	1,034
Total trading securities	4,176	1,046	-	5,222
Available-for-sale securities				
Common stock	1,253	-	-	1,253
Venture capital investments	-	-	256	256
Mutual funds	2,524	-	-	2,524
Total available-for-sale securities	3,777	-	256	4,033
Total Investments	\$ 7,953	\$ 1,046	\$ 256	\$ 9,255

Approximately 86 percent of the Company's financial assets measured at fair value are derived from Level 1 inputs including SEC-registered mutual funds and equity securities traded on an active market, 11 percent of the Company's financial assets measured at fair value are derived from Level 2 inputs, including an investment in an offshore fund, and the remaining three percent are Level 3 inputs. The Company recognizes transfers between levels at the end of each quarter. The Company did not transfer any securities between Level 1 and Level 2 during the six months ended December 31, 2011.

In Level 2, the Company has an investment in an offshore fund with a fair value of \$1,033,878 that invests in companies in the energy and natural resources sectors. The Company may redeem this investment on the first business day of each month after providing a redemption notice at least forty-five days prior to the proposed redemption date.

The Company held investments in three securities with a value of zero and two venture capital investments that were measured at fair value using significant unobservable inputs (Level 3) at December 31, 2011.

The Company has a venture capital investment with a fair value of \$144,218 that primarily invests in companies in the energy and precious metals sectors. The Company may redeem this investment at the end of a calendar quarter after providing a written redemption notice at least thirty days prior, and the redemption prices are subject to a discount from the net value of the dealer bid prices or estimated liquidation value at the time of redemption. It is estimated that the underlying assets would be liquidated within the next three years. The Company also has a venture capital investment with a fair value of \$111,528 that primarily invests in companies in the medical and medical technology sectors. The Company may redeem this investment with general partner approval. As of December 31, 2011, the Company has an unfunded commitment of \$125,000 related to this investment.

The following table presents additional information about investments measured at fair value on a recurring basis and for which the Company has utilized significant unobservable inputs to determine fair value:

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis	
For the Six Months Ended December 31, 2011 (in thousands)	
	Venture Capital Investments
Beginning Balance	\$ 243
Return of capital	(4)
Total gains or losses (realized/unrealized)	-
Included in earnings (or changes in net assets)	-
Included in other comprehensive income	17
Purchases, issuances, and settlements	-
Transfers in and/or out of Level 3	-
Ending Balance	<u>\$ 256</u>

NOTE 5. INVESTMENT MANAGEMENT, TRANSFER AGENT AND OTHER FEES

The Company serves as investment adviser to U.S. Global Investors Funds (“USGIF”) and receives a fee based on a specified percentage of net assets under management.

USSI also serves as transfer agent to USGIF and receives fees based on the number of shareholder accounts as well as transaction and activity-based fees. Additionally, the Company receives certain miscellaneous fees directly from USGIF shareholders. Fees for providing investment management, administrative, distribution and transfer agent services to USGIF continue to be the Company’s primary revenue source.

The advisory agreement for the nine equity funds provides for a base advisory fee that is adjusted upwards or downwards by 0.25 percent when there is a performance difference of 5 percent or more between a fund’s performance and that of its designated benchmark index over the prior rolling 12 months. For the three and six months ended December 31, 2011, the Company adjusted its base advisory fees downward by \$914,987 and \$649,854. For the corresponding periods in fiscal 2011, base advisory fees were increased by \$880,398 and \$1,080,087.

The Company has voluntarily waived or reduced its fees and/or agreed to pay expenses on all thirteen funds. These caps will continue on a voluntary basis at the Company’s discretion. Effective with the March 1, 2010, offering of institutional class shares in three USGIF funds, the Company voluntarily agreed to waive all institutional class-specific expenses. The aggregate fees waived and expenses borne by the Company for the three and six months ended December 31, 2011, were \$795,925 and \$1,599,154 compared with \$737,765 and \$1,538,309, respectively, for the corresponding periods in fiscal 2011.

The above waived fees include amounts waived under an agreement whereby the Company has voluntarily agreed to waive fees and/or reimburse the U.S. Treasury Securities Cash Fund and the U.S. Government Securities Savings Fund to the extent necessary to maintain the respective fund’s yield at a certain level as determined by the Company (Minimum Yield). Yields on such products have declined to record lows as a result of the decline in the federal funds’ rate pursuant

to the Federal Reserve's economic policy to spur economic growth through low interest rates and quantitative easing. For the three and six months ended December 31, 2011, total fees waived and/or expenses reimbursed as a result of this agreement were \$395,762 and \$800,912. For the corresponding periods in fiscal year 2011, the total fees waived and/or expenses reimbursed were \$381,055 and \$755,756.

The Company may recapture any fees waived and/or expenses reimbursed within three years after the end of the funds' fiscal year of such waiver and/or reimbursement to the extent that such recapture would not cause the funds' yield to fall below the Minimum Yield. Thus, \$1,047,980 of these waivers is recoverable by the Company through December 31, 2012, \$1,562,956 through December 31, 2013, and \$1,605,619 through December 31, 2014. Management believes that these potential recoveries will be realized only in a rising interest rate environment and that these waivers could increase in the future. Such increases in fee waivers could be significant and will negatively impact the Company's revenues and net income. Management cannot predict the impact of the waivers and/or reimbursements due to the number of variables and the range of potential outcomes.

The Company provides advisory services for two offshore clients and receives monthly advisory fees based on the net asset values of the clients and quarterly performance fees, if any, based on the overall increase in net asset values. The Company recorded advisory fees from these clients totaling \$82,401 and \$177,098 for the three and six months ended December 31, 2011. The Company recorded advisory and performance fees totaling \$992,544 and \$1,159,378 for the corresponding periods in fiscal 2011. The performance fees for these clients are calculated and recorded quarterly in accordance with the terms of the advisory agreements. These fees may fluctuate significantly from year to year based on factors that may be out of the Company's control. Frank Holmes, CEO, serves as a director of the offshore clients.

The Company receives additional revenue from several sources including custodial fee revenues, mailroom operations, and investment income.

Substantially all of the cash and cash equivalents included in the balance sheet at December 31, 2011, and June 30, 2011, is invested in USGIF money market funds.

NOTE 6. BORROWINGS

As of December 31, 2011, the Company has no long-term liabilities.

The Company has access to a \$1 million credit facility with a one-year maturity for working capital purposes. The credit agreement requires the Company to maintain certain quarterly financial covenants to access the line of credit. As of December 31, 2011, this credit facility remained unutilized by the Company.

NOTE 7. STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation in accordance with ASC 718 *Compensation – Stock Compensation* (formerly SFAS No. 123 (revised 2004) *Share-Based Payment*). Stock-based compensation expense is recorded for the cost of stock options. Stock-based compensation expense for the three and six months ended December 31, 2011, was \$7,882 and \$17,542, compared to \$9,457 and \$18,913 in the corresponding periods in fiscal 2011. As of December 31, 2011, and 2010, respectively, there was approximately \$33,201 and \$57,456 of total unrecognized share-based compensation cost related to share-based compensation granted under the plans that will be recognized over the remainder of their respective vesting periods.

Stock compensation plans

The Company's stock option plans provide for the granting of class A shares as either incentive or nonqualified stock options to employees and non-employee directors. Options are subject to terms and conditions determined by the Compensation Committee of the Board of Directors. The following table summarizes information about the Company's stock option plans for the six months ended December 31, 2011.

	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	25,300	\$ 19.40
Granted	5,000	6.54
Exercised	-	-
Forfeited	(1,000)	24.74
Options outstanding, end of period	<u>29,300</u>	<u>\$ 17.02</u>
Options exercisable, end of period	<u>22,240</u>	<u>\$ 19.17</u>

NOTE 8. EARNINGS PER SHARE

The basic earnings per share (“EPS”) calculation excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of EPS that could occur if options to issue common stock were exercised.

The following table sets forth the computation for basic and diluted EPS:

	Six Months Ended December 31,	
	2011	2010
Net income	\$ 1,158,900	\$ 3,595,979
Weighted average number of outstanding shares		
Basic	15,430,851	15,368,527
Effect of dilutive securities		
Employee stock options	328	-
Diluted	<u>15,431,179</u>	<u>15,368,527</u>
Earnings per share		
Basic	\$ 0.08	\$ 0.23
Diluted	\$ 0.08	\$ 0.23

	Three Months Ended December 31,	
	2011	2010
Net income	\$ 409,382	\$ 2,330,286
Weighted average number of outstanding shares		
Basic	15,435,997	15,372,554
Effect of dilutive securities		
Employee stock options	122	-
Diluted	<u>15,436,119</u>	<u>15,372,554</u>
Earnings per share		
Basic	\$ 0.03	\$ 0.15
Diluted	\$ 0.03	\$ 0.15

The diluted EPS calculation excludes the effect of stock options when their exercise prices exceed the average market price for the period. For the three and six months ended December 31, 2011, 24,300 options were excluded from diluted EPS, and 25,300 were excluded in the corresponding periods in fiscal 2011.

The Company may repurchase stock from employees. The Company made no repurchases of shares of its class A, class B, or class C common stock during the six months ended December 31, 2011. Upon repurchase, these shares are classified as treasury shares and are deducted from outstanding shares in the earnings per share calculation.

NOTE 9. INCOME TAXES

The Company and its subsidiaries file a consolidated federal income tax return. Provisions for income taxes include deferred taxes for temporary differences in the bases of assets and liabilities for financial and tax purposes, resulting from the use of the liability method of accounting for income taxes. The current deferred tax asset primarily consists of unrealized losses on trading securities as well as temporary differences in the deductibility of accrued liabilities. The long-term deferred tax asset is composed primarily of unrealized losses on available-for-sale securities and the difference in tax treatment of stock options.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax amount will not be realized. No valuation allowance was included or deemed necessary at December 31, 2011, or June 30, 2011.

NOTE 10. FINANCIAL INFORMATION BY BUSINESS SEGMENT

The Company operates principally in two business segments: providing investment management services to the funds it manages and investing for its own account in an effort to add growth and value to its cash position. The following schedule details total revenues and income by business segment:

	Investment Management Services	Corporate Investments	Consolidated
Six months ended December 31, 2011			
Net revenues	\$ 14,097,181	\$ (425,733)	\$ 13,671,448
Net income before income taxes	2,254,587	(429,712)	1,824,875
Depreciation	142,158	-	142,158
Capital expenditures	12,990	-	12,990
Gross identifiable assets at December 31, 2011	29,077,128	14,272,237	43,349,365
Deferred tax asset			913,973
Consolidated total assets at December 31, 2011			\$ 44,263,338
Six months ended December 31, 2010			
Net revenues	\$ 20,148,878	\$ 682,601	\$ 20,831,479
Net income before income taxes	4,918,903	680,620	5,599,523
Depreciation	147,042	-	147,042
Capital expenditures	51,894	-	51,894
Three months ended December 31, 2011			
Net revenues	\$ 5,738,952	\$ 140,588	\$ 5,879,540
Net income before income taxes	525,171	137,618	662,789
Depreciation	70,700	-	70,700
Capital expenditures	12,990	-	12,990
Three months ended December 31, 2010			
Net revenues	\$ 11,516,395	\$ 394,343	\$ 11,910,738
Net income before income taxes	3,246,941	393,352	3,640,293
Depreciation	71,990	-	71,990
Capital expenditures	27,278	-	27,278

NOTE 11. CONTINGENCIES AND COMMITMENTS

The Company continuously reviews all investor, employee and vendor complaints, and pending or threatened litigation. The likelihood that a loss contingency exists is evaluated through consultation with legal counsel, and a loss contingency is recorded if probable and reasonably estimable.

During the normal course of business, the Company may be subject to claims, legal proceedings, and other contingencies. These matters are subject to various uncertainties, and it is possible that some of these matters may be resolved unfavorably. The Company establishes accruals for matters for which the outcome is probable and can be reasonably estimated. Management believes that any liability in excess of these accruals upon the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial statements of the Company.

The Board has authorized a monthly dividend of \$0.02 per share through March 2012, at which time it will be considered for continuation by the Board. Payment of cash dividends is within the discretion of the Company's Board of Directors and is dependent on earnings, operations, capital requirements, general financial condition of the Company, and general business conditions. The total amount of cash dividends to be paid to class A and class C shareholders from January to March 2012 will be approximately \$926,581.

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

U.S. Global has made forward-looking statements concerning the Company's performance, financial condition, and operations in this report. The Company from time to time may also make forward-looking statements in its public filings and press releases. Such forward-looking statements are subject to various known and unknown risks and uncertainties and do not guarantee future performance. Actual results could differ materially from those anticipated in such forward-looking statements due to a number of factors, some of which are beyond the Company's control, including: (i) the volatile and competitive nature of the investment management industry, (ii) changes in domestic and foreign economic conditions, (iii) the effect of government regulation on the Company's business, and (iv) market, credit, and liquidity risks associated with the Company's investment management activities. Due to such risks, uncertainties, and other factors, the Company cautions each person receiving such forward-looking information not to place undue reliance on such statements. All such forward-looking statements are current only as of the date on which such statements were made.

BUSINESS SEGMENTS

The Company, with principal operations located in San Antonio, Texas, manages two business segments: (1) the Company offers a broad range of investment management products and services to meet the needs of individual and institutional investors; and (2) the Company invests for its own account in an effort to add growth and value to its cash position. Although the Company generates the majority of its revenues from its investment advisory segment, the Company holds a significant amount of its total assets in investments. The following is a brief discussion of the Company's two business segments.

Investment Management Products and Services

The Company generates substantially all of its operating revenues from managing and servicing USGIF and other advisory clients. These revenues are largely dependent on the total value and composition of assets under its management. Fluctuations in the markets and investor sentiment directly impact the funds' asset levels, thereby affecting income and results of operations.

Detailed information regarding the SEC-registered funds managed by the Company can be found on the Company's website, www.usfunds.com, including performance information for each fund for various time periods, assets under management as of the most recent month end and the inception date of each fund.

SEC-registered mutual fund shareholders are not required to give advance notice prior to redemption of shares in the funds; however, the equity funds charge a redemption fee if the fund shares have been held for less than the applicable periods of time set forth in the funds' prospectuses. The fixed income and money market funds charge no redemption fee. Detailed information about redemption fees can be found in the funds' prospectus, which is available on the Company's website, www.usfunds.com.

The Company provides advisory services for two offshore clients and receives monthly advisory fees based on the net asset values of the clients and quarterly performance fees, if any, based on the overall increase in net asset values. The Company recorded advisory fees from these clients totaling \$82,401 and \$177,098 for the three and six months ended December 31, 2011. The Company recorded advisory and performance fees totaling \$992,544 and \$1,159,378 for the corresponding periods in fiscal 2011. The performance fees for these clients are calculated and recorded quarterly in accordance with the terms of the advisory agreements. These fees may fluctuate significantly from year to year based on factors that may be out of the Company's control. Frank Holmes, CEO, serves as a director of the offshore clients.

At December 31, 2011, total assets under management as of period-end, including both SEC-registered funds and offshore clients, were \$1.890 billion versus \$3.044 billion at December 31, 2010, a decrease of 37.9 percent. During the six months ended December 31, 2011, average assets under management were \$2.264 billion versus \$2.648 billion during the six months ended December 31, 2010. Total assets under management as of period-end at December 31, 2011, were \$1.890 billion versus \$2.603 billion at June 30, 2011, the Company's prior fiscal year end.

The following tables summarize the changes in assets under management for the SEC-registered funds for the three and six months ended December 31, 2011, and 2010:

(Dollars in Thousands)	Changes in Assets Under Management					
	Three Months Ended December 31,					
	2011			2010		
	Equity	Money Market and Fixed Income	Total	Equity	Money Market and Fixed Income	Total
Beginning Balance	\$ 1,683,048	\$ 334,721	\$ 2,017,769	\$ 2,213,489	\$ 372,059	\$ 2,585,548
Market appreciation/(depreciation)	32,616	647	33,263	399,755	(1,027)	398,728
Dividends and distributions	(117,743)	(363)	(118,106)	(144,176)	(383)	(144,559)
Net shareholder purchases/(redemptions)	(57,789)	(16,107)	(73,896)	174,142	(18,391)	155,751
Ending Balance	\$ 1,540,132	\$ 318,898	\$ 1,859,030	\$ 2,643,210	\$ 352,258	\$ 2,995,468
Average investment management fee	0.98%	0.00%	0.83%	1.00%	0.00%	0.87%
Average net assets	\$ 1,714,045	\$ 328,604	\$ 2,042,649	\$ 2,440,013	\$ 362,790	\$ 2,802,803

(Dollars in Thousands)	Changes in Assets Under Management					
	Six Months Ended December 31,					
	2011			2010		
	Equity	Money Market and Fixed Income	Total	Equity	Money Market and Fixed Income	Total
Beginning Balance	\$ 2,225,730	\$ 336,793	\$ 2,562,523	\$ 1,985,203	\$ 382,062	\$ 2,367,265
Market appreciation/(depreciation)	(384,222)	1,638	(382,584)	734,078	58	734,136
Dividends and distributions	(117,743)	(729)	(118,472)	(144,176)	(745)	(144,921)
Net shareholder purchases/(redemptions)	(183,633)	(18,804)	(202,437)	68,105	(29,117)	38,988
Ending Balance	\$ 1,540,132	\$ 318,898	\$ 1,859,030	\$ 2,643,210	\$ 352,258	\$ 2,995,468
Average investment management fee	0.99%	0.00%	0.84%	1.01%	0.00%	0.86%
Average net assets	\$ 1,896,875	\$ 331,941	\$ 2,228,816	\$ 2,237,640	\$ 370,597	\$ 2,608,237

As shown above, both average and period-end assets under management for the three and six months ended December 31, 2011, decreased compared to the same time periods for fiscal year 2011. The decrease in assets under management during the three months ended December 31, 2011, was driven by shareholder redemptions in the equity funds, primarily in the natural resources and emerging market categories. The decrease in assets under management during the six months ended December 31, 2011, was driven by shareholder redemptions and market depreciation in the equity funds, primarily in the natural resources and emerging market categories. A significant portion of the dividends and distributions shown above are reinvested and included in net shareholder purchases (redemptions). Fixed income funds experienced a net decrease as shareholders sought alternatives to low yields.

Stock market performance was marked by wide swings in 2010 and 2011. Equities linked to gold and broader natural resources, where most of the assets managed by the Company are invested, were also volatile. The global financial crisis and subsequent volatility in markets, combined with fund performance, were significant factors in the shareholder activity shown in all periods.

The average annualized investment management fee rate (total mutual fund advisory fees, excluding performance fees, as a percentage of average assets under management) was 83 and 84 basis points in the three and six months ending December 31, 2011, respectively, compared to 87 and 86 basis points for the same time periods in fiscal 2011. The average investment management fee for the equity funds decreased to 98 and 99 basis points for the three and six months ending December 31, 2011, respectively, compared to 100 and 101 basis points for the same time periods in fiscal year 2011. The decrease in the investment management fee rate is due to larger decreases in average assets in the equity funds, which have higher fee rates. The average investment management fee for the fixed income funds is nil or close to nil for the periods. This is due to voluntary fee waivers on these funds as discussed in Note 5 to the financial statements, including a voluntary agreement to support the yields for the money market funds.

Investment Activities

Management believes it can more effectively manage the Company's cash position by broadening the types of investments used in cash management and continues to believe that such activities are in the best interest of the Company. The Company's investment activities are reviewed and monitored by Company compliance personnel, and various reports are provided to certain investment advisory clients. Written procedures are in place to manage compliance with the code of ethics and other policies affecting the Company's investment practices. This source of revenue does not remain consistent and is dependent on market fluctuations, the Company's ability to participate in investment opportunities, and timing of transactions.

As of December 31, 2011, the Company held investments with a market value of approximately \$9.3 million and a cost basis of approximately \$9.0 million. The market value of these investments is approximately 20.9 percent of the Company's total assets. See Note 3 (Investments) and Note 4 (Fair Value Disclosures) for additional detail regarding investment activities.

RESULTS OF OPERATIONS – THREE MONTHS ENDED DECEMBER 31, 2011 AND 2010

The Company posted net income of \$409,382 (\$0.03 per share) for the three months ended December 31, 2011, compared with net income of \$2,330,286 (\$0.15 per share) for the three months ended December 31, 2010, a decrease of \$1,920,904, or 82.4 percent.

Revenues

Total consolidated revenues for the three months ended December 31, 2011, decreased \$6,031,198, or 50.6 percent, compared with the three months ended December 31, 2010. This decrease was primarily attributable to the following:

- Mutual fund advisory fees decreased by \$3,718,230, or 52.7 percent. Of that amount, \$1,922,845 was attributable to a decrease in mutual fund management fees, primarily due to shareholder redemptions in the natural resources and emerging markets funds. In addition, \$1,795,385 was attributable to a swing in performance fee adjustments driven by net payments to the funds in the current quarter versus net receipts in the same quarter of the prior year. Performance fees are paid or received when there is a performance difference of 5 percent or more between a fund's performance and that of its designated benchmark index over the prior rolling 12 months. See Note 5 for additional information regarding performance fees.
- Other advisory fees decreased by \$910,143, or 91.7 percent, primarily as a result of a decrease in offshore fund performance fees due to natural resource-related market depreciation of fund holdings.
- Distribution fee revenue decreased by \$500,963, or 32.8 percent, as a result of decreased assets under management.
- Transfer agent fees decreased by \$375,515, or 28.5 percent, as a result of a decline in the number of shareholder accounts and the number of transactions.
- Investment income decreased \$366,779, or 71.9 percent, primarily due to lower unrealized gains on trading securities and lower dividends received in the three months ended December 31, 2011, compared to the three months ended December 31, 2010.

Expenses

Total consolidated expenses for the three months ended December 31, 2011, decreased \$3,053,694, or 36.9 percent, compared with the three months ended December 31, 2010. This was largely attributable to the following:

- Employee compensation and benefits decreased by \$1,398,618, or 35.6 percent, primarily as a result of lower performance-based bonuses.
- General and administrative expense decreased by \$925,723, or 41.0 percent, primarily due to lower consulting, marketing and conference fees.
- Platform fees decreased by \$537,667, or 35.0 percent, primarily as a result of lower assets under management.

RESULTS OF OPERATIONS – SIX MONTHS ENDED DECEMBER 31, 2011 AND 2010

The Company posted net income of \$1,158,900 (\$0.08 per share) for the six months ended December 31, 2011, compared with net income of \$3,595,979 (\$0.23 per share) for the six months ended December 31, 2010, a decrease of \$2,437,079, or 67.8 percent.

Revenues

Total consolidated revenues for the six months ended December 31, 2011, decreased \$7,160,031, or 34.4 percent, compared with the six months ended December 31, 2010. This decrease was primarily attributable to the following:

- Mutual fund advisory fees decreased by \$3,628,261, or 29.2 percent. Of that amount, \$1,898,320 was attributable to a decrease in mutual fund management fees, primarily due to market depreciation and shareholder redemptions in the natural resources and emerging markets funds. In addition, \$1,729,941 was attributable to a swing in performance fee adjustments driven by net payments to the funds in the current quarter versus net receipts in the same quarter of the prior year. Performance fees are paid or received when there is a performance difference of 5 percent or more between a fund's performance and that of its designated benchmark index over the prior rolling 12 months. See Note 5 for additional information regarding performance fees.
- Investment income decreased \$1,398,505, or 141.3 percent, primarily due to unrealized losses on trading securities in the six months ended December 31, 2011, compared to unrealized gains on trading securities in the six months ended December 31, 2010.
- Other advisory fees decreased by \$982,280, or 84.7 percent, primarily as a result of a decrease in offshore fund performance fees due to natural resource-related market depreciation of fund holdings.
- Distribution fee revenue decreased by \$507,254, or 18.1 percent, as a result of decreased assets under management.

Expenses

Total consolidated expenses for the six months ended December 31, 2011, decreased \$3,385,383, or 22.2 percent, compared with the six months ended December 31, 2010. This was largely attributable to the following:

- Employee compensation and benefits decreased by \$1,243,309, or 18.7 percent, primarily as a result of lower performance-based bonuses.
- General and administrative expense decreased by \$1,268,563, or 28.4 percent, primarily due to lower consulting fees.
- Platform fees decreased by \$584,123, or 20.4 percent, primarily as a result of lower assets under management.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2011, the Company had net working capital (current assets minus current liabilities) of approximately \$32.1 million and a current ratio (current assets divided by current liabilities) of 8.9 to 1. With approximately \$27.2 million in cash and cash equivalents and approximately \$9.3 million in marketable securities, the Company has adequate liquidity to meet its current obligations. Total shareholders' equity was approximately \$40.2 million, with cash, cash equivalents, and marketable securities comprising 82.2 percent of total assets.

As of December 31, 2011, the Company has no long-term liabilities. The Company has access to a \$1 million credit facility with a one-year maturity for working capital purposes. The credit agreement requires the Company to maintain certain quarterly financial covenants to access the line of credit. As of December 31, 2011, this credit facility remained unutilized by the Company.

Management believes current cash reserves, financing available, and potential cash flow from operations will be sufficient to meet foreseeable cash needs or capital necessary for the above-mentioned activities and allow the Company to take advantage of opportunities for growth whenever available.

Market volatility may cause the price of the Company's publicly traded class A shares to fluctuate, which in turn may allow the Company an opportunity to buy back stock at favorable prices.

The investment advisory and related contracts between the Company and USGIF were renewed effective October 1, 2011. The Company provides advisory services to two offshore clients for which the Company receives a monthly advisory fee and a quarterly performance fee, if any, based on agreed-upon performance measurements. The contracts between the Company and these offshore clients expire periodically, and management anticipates that its offshore clients will renew the contracts.

The Company receives additional revenue from several sources including custodial fee revenues, mailroom operations, and investment income.

CRITICAL ACCOUNTING ESTIMATES

For a discussion of critical accounting policies that the Company follows, please refer to the notes to the consolidated financial statements included in the Annual Report on Form 10-K for the year ended June 30, 2011. As discussed in Note 1 of the Notes to Consolidated Financial Statements, the Company has adopted certain recently issued financial accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's balance sheet includes assets whose fair value is subject to market risks. Due to the Company's investments in equity securities, equity price fluctuations represent a market risk factor affecting the Company's consolidated financial position. The carrying values of investments subject to equity price risks are based on quoted market prices or, if not actively traded, management's estimate of fair value as of the balance sheet date. Market prices fluctuate, and the amount realized in the subsequent sale of an investment may differ significantly from the reported market value.

The Company's investment activities are reviewed and monitored by Company compliance personnel, and various reports are provided to certain investment advisory clients. Written procedures are in place to manage compliance with the code of ethics and other policies affecting the Company's investment practices.

The table below summarizes the Company's equity price risks as of December 31, 2011, and shows the effects of a hypothetical 25 percent increase and a 25 percent decrease in market prices.

	Fair Value at December 31, 2011	Hypothetical Percentage Change	Estimated Fair Value After Hypothetical Price Change	Increase (Decrease) in Shareholders' Equity, Net of Tax
Trading securities ¹	\$5,222,226	25% increase	\$6,527,783	\$861,667
		25% decrease	\$3,916,670	(\$861,667)
Available-for-sale ²	\$4,033,031	25% increase	\$5,041,289	\$665,450
		25% decrease	\$3,024,773	(\$665,450)
¹ Unrealized and realized gains and losses on trading securities are included in earnings in the statement of operations.				
² Unrealized and realized gains and losses on available-for-sale securities are excluded from earnings and recorded in other comprehensive income as a component of shareholders' equity until realized.				

The selected hypothetical changes do not reflect what could be considered best- or worst-case scenarios. Results could be significantly different due to both the nature of equity markets and the concentration of the Company's investment portfolio.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2011, was conducted under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2011.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2011, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

For a discussion of risk factors which could affect the Company, please refer to Item 1A, "Risk Factors" in the Annual Report on Form 10-K for the year ended June 30, 2011. There has been no material changes since fiscal year end to the risk factors listed therein.

ITEM 6. EXHIBITS

1. Exhibits –

- 31 Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act Of 2002
- 32 Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

U.S. GLOBAL INVESTORS, INC.

DATED: February 1, 2012

BY: /s/ Frank E. Holmes
Frank E. Holmes
Chief Executive Officer

DATED: February 1, 2012

BY: /s/ Catherine A. Rademacher
Catherine A. Rademacher
Chief Financial Officer

EXHIBIT 31 - CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Frank E. Holmes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of U.S. Global Investors, Inc.;
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 officers 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 registrant's board of directors (or persons performing the equivalent function):
 - 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: February 1, 2012

/s/ Frank E. Holmes
Frank E. Holmes
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Catherine A. Rademacher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of U.S. Global Investors, Inc.;
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 officers 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 registrant's board of directors (or persons performing the equivalent function):
 - 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: February 1, 2012

/s/ Catherine A. Rademacher
Catherine A. Rademacher
Chief Financial Officer

**EXHIBIT 32 - CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of U.S. Global Investors, Inc. (the "Company") does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended December 31, 2011, of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of the operations of the Company.

Date: February 1, 2012 /s/ Frank E. Holmes
Frank E. Holmes
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-
OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of U.S. Global Investors, Inc. (the "Company") does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended December 31, 2011, of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of the operations of the Company.

Date: February 1, 2012 /s/ Catherine A. Rademacher
Catherine A. Rademacher
Chief Financial Officer