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, 2019**

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** (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)

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

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A common stock, $0.025 par value per share	GROW	NASDAQ Capital Market

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 ☐	Accelerated filer ☐
Non-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 in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

On January 28, 2020, there were 13,866,811 shares of Registrant's class A nonvoting common stock issued and 13,060,985 shares of Registrant's class A nonvoting common stock issued and outstanding; no shares of Registrant's class B nonvoting common shares outstanding; and 2,068,737 shares of Registrant's class C voting common stock issued and outstanding.

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

Assets *(dollars in thousands)*	December 31, 2019 (unaudited)	June 30, 2019
Current Assets		
Cash and cash equivalents	$ 1,796	$ 1,466
Restricted cash	1,025	1,025
Investments in securities at fair value	6,513	8,021
Accounts and other receivables	505	308
Note receivable	-	199
Prepaid expenses	367	293
Total assets held related to discontinued operations	1,440	1,780
Total Current Assets	11,646	13,092
Net Property and Equipment	1,606	1,708
Other Assets		
Deferred tax asset, long term	110	-
Investments in securities at fair value, non-current	3,509	7,166
Other investments	1,488	1,404
Equity method investments	256	309
Right of use assets	117	-
Other assets, non-current	80	64
Total Other Assets	5,560	8,943
Total Assets	$ 18,812	$ 23,743
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 36	$ 31
Accrued compensation and related costs	275	311
Dividends payable	113	113
Lease liability, short-term	49	-
Other accrued expenses	590	496
Total liabilities held related to discontinued operations	394	481
Total Current Liabilities	1,457	1,432
Long-Term Liabilities		
Deferred tax liability	-	133
Lease liability, long-term	68	-
Total Long-Term Liabilities	68	133
Total Liabilities	1,525	1,565
Commitments and Contingencies (Note 14)		
Shareholders' Equity		
Common stock (class A) - $0.025 par value; nonvoting; authorized, 28,000,000 shares; issued, 13,866,811 shares and 13,866,751 shares at December 31, 2019, and June 30, 2019, respectively	347	347
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, 2,068,737 shares and 2,068,797 shares at December 31, 2019, and June 30, 2019, respectively	52	52
Additional paid-in-capital	15,638	15,646
Treasury stock, class A shares at cost; 805,826 shares and 804,959 shares at December 31, 2019, and June 30, 2019, respectively	(1,888)	(1,888)
Accumulated other comprehensive income (loss), net of tax	(205)	(206)
Retained earnings	2,964	7,761
Total U.S. Global Investors Inc. Shareholders' Equity	16,908	21,712
Non-Controlling Interest in Subsidiary	379	467
Total Shareholders' Equity	17,287	22,179
Total Liabilities and Shareholders' Equity	$ 18,812	$ 23,744

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(dollars in thousands, except per share data)	Six Months Ended December 31, 2019	Six Months Ended December 31, 2018	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018
Operating Revenues				
Advisory fees	$ 1,602	$ 1,741	$ 842	$ 750
Administrative services fees	89	96	45	43
	1,691	1,837	887	793
Operating Expenses				
Employee compensation and benefits	1,345	1,470	633	788
General and administrative	1,349	1,480	663	766
Advertising	74	80	51	40
Depreciation and amortization	102	110	51	55
	2,870	3,140	1,398	1,649
Operating Loss	(1,179)	(1,303)	(511)	(856)
Other Income (Loss)				
Investment loss	(3,481)	(4,331)	(451)	(3,430)
Loss from equity method investments	(55)	(55)	(28)	(48)
Other income	61	19	39	15
	(3,475)	(4,367)	(440)	(3,463)
Loss from Continuing Operations Before Income Taxes	(4,654)	(5,670)	(951)	(4,319)
Provision for Income Taxes				
Tax benefit	(249)	(1,100)	(25)	(744)
Loss from Continuing Operations	(4,405)	(4,570)	(926)	(3,575)
Discontinued Operations				
Income (loss) from discontinued operations of investment management services in Canada before income taxes	(253)	334	(117)	571
Tax expense	-	11	-	11
Income (Loss) from Discontinued Operations	(253)	323	(117)	560
Net Loss	(4,658)	(4,247)	(1,043)	(3,015)
Less: Net Income (Loss) Attributable to Non-Controlling Interest from Discontinued Operations	(88)	113	(40)	196
Net Loss Attributable to U.S. Global Investors, Inc.	$ (4,570)	$ (4,360)	$ (1,003)	$ (3,211)
Earnings Per Share Attributable to U.S. Global Investors, Inc.				
Basic Net Income (Loss) per Share				
Loss from continuing operations	$ (0.29)	$ (0.30)	$ (0.06)	$ (0.24)
Income (loss) from discontinued operations	$ (0.01)	$ 0.01	$ -	$ 0.03
Net loss	$ (0.30)	$ (0.29)	$ (0.06)	$ (0.21)
Diluted Net Income (Loss) per Share				
Loss from continuing operations	$ (0.29)	$ (0.30)	$ (0.06)	$ (0.24)
Income (loss) from discontinued operations	$ (0.01)	$ 0.01	$ -	$ 0.03
Net loss	$ (0.30)	$ (0.29)	$ (0.06)	$ (0.21)
Basic weighted average number of common shares outstanding	15,129,674	15,145,293	15,129,114	15,145,702
Diluted weighted average number of common shares outstanding	15,129,674	15,145,293	15,129,114	15,145,702

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(dollars in thousands)	Six Months Ended December 31, 2019	Six Months Ended December 31, 2018	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018
Net Loss Attributable to U.S. Global Investors, Inc.	$ (4,570)	$ (4,360)	$ (1,003)	$ (3,211)
Other Comprehensive Income (Loss), Net of Tax:				
Foreign currency translation adjustment	1	(48)	18	(75)
Comprehensive Loss	(4,569)	(4,408)	(985)	(3,286)
Less: Comprehensive Income (Loss) Attributable to Non-Controlling Interest	-	(21)	4	(29)
Comprehensive Loss Attributable to U.S. Global Investors, Inc.	$ (4,569)	$ (4,387)	$ (989)	$ (3,257)

The accompanying notes are an integral part of these consolidated financial statements.

U.S. GLOBAL INVESTORS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

(dollars in thousands)	Common Stock (class A)	Common Stock (class C)	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-Controlling Interest	Total
Balance at June 30, 2019 (13,866,751 shares of class A; 2,068,797 shares of class C)	$ 347	$ 52	$ 15,646	$ (1,888)	$ (206)	$ 7,761	$ 467	$ 22,179
Purchases of 3,400 shares of Common Stock (class A)	-	-	-	(6)	-	-	-	(6)
Issuance of stock under ESPP of 733 shares of Common Stock (class A)	-	-	-	2	-	-	-	2
Conversion of 60 shares of class C common stock for class A common stock	-	-	-	-	-	-	-	-
Dividends declared	-	-	-	-	-	(227)	-	(227)
Stock bonuses	-	-	(2)	4	-	-	-	2
Stock-based compensation expense	-	-	(6)	-	-	-	-	(6)
Other comprehensive income, net of tax	-	-	-	-	1	-	-	1
Net loss	-	-	-	-	-	(4,570)	(88)	(4,658)
Balance at December 31, 2019 (13,866,811 shares of class A; 2,068,737 shares of class C)	$ 347	$ 52	$ 15,638	$ (1,888)	$ (205)	$ 2,964	$ 379	$ 17,287

(dollars in thousands)	Common Stock (class A)	Common Stock (class C)	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-Controlling Interest	Total
Balance at June 30, 2018 (13,866,691 shares of class A; 2,068,857 shares of class C)	$ 347	$ 52	$ 15,650	$ (1,878)	$ 1,858	$ 9,513	$ 518	$ 26,060
Reclassification pursuant to adoption of ASU 2016-01, net of tax of $1,049	-	-	-	-	(2,089)	2,089	-	-
Balance at July 1, 2018	347	52	15,650	(1,878)	(231)	11,602	518	26,060
Purchases of 12,000 shares of Common Stock (class A)	-	-	-	(15)	-	-	-	(15)
Issuance of stock under ESPP of 1,491 shares of Common Stock (class A)	-	-	(1)	4	-	-	-	3
Dividends declared	-	-	-	-	-	(227)	-	(227)
Stock bonuses	-	-	(2)	4	-	-	-	2
Stock-based compensation expense	-	-	2	-	-	-	-	2
Other comprehensive loss, net of tax	-	-	-	-	(27)	-	(21)	(48)
Net income (loss)	-	-	-	-	-	(4,360)	113	(4,247)
Balance at December 31, 2018 (13,866,691 shares of class A; 2,068,857 shares of class C)	$ 347	$ 52	$ 15,649	$ (1,885)	$ (258)	$ 7,015	$ 610	$ 21,530

The accompanying notes are an integral part of these consolidated financial statements.

U.S. GLOBAL INVESTORS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUED) (UNAUDITED)

(dollars in thousands)	Common Stock (class A)	Common Stock (class C)	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-Controlling Interest	Total
Balance at September 30, 2019 (13,866,691 shares of class A; 2,068,857 shares of class C)	$ 347	$ 52	$ 15,645	$ (1,888)	$ (219)	$ 4,080	$ 415	$ 18,432
Purchases of 2,000 shares of Common Stock (class A)	-	-	-	(3)	-	-	-	(3)
Issuance of stock under ESPP of 419 shares of Common Stock (class A)	-	-	-	1	-	-	-	1
Dividends declared	-	-	-	-	-	(113)	-	(113)
Stock bonuses	-	-	(1)	2	-	-	-	1
Stock-based compensation expense	-	-	(6)	-	-	-	-	(6)
Other comprehensive income, net of tax	-	-	-	-	14	-	4	18
Net loss	-	-	-	-	-	(1,003)	(40)	(1,043)
Balance at December 31, 2019 (13,866,811 shares of class A; 2,068,737 shares of class C)	$ 347	$ 52	$ 15,638	$ (1,888)	$ (205)	$ 2,964	$ 379	$ 17,287

(dollars in thousands)	Common Stock (class A)	Common Stock (class C)	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-Controlling Interest	Total
Balance at September 30, 2018 (13,866,691 shares of class A; 2,068,857 shares of class C)	$ 347	$ 52	$ 15,651	$ (1,876)	$ (212)	$ 10,453	$ 443	$ 24,858
Purchases of 11,000 shares of Common Stock (class A)	-	-	-	(13)	-	-	-	(13)
Issuance of stock under ESPP of 863 shares of Common Stock (class A)	-	-	(1)	2	-	-	-	1
Dividends declared	-	-	-	-	-	(227)	-	(227)
Stock bonuses	-	-	(1)	2	-	-	-	1
Other comprehensive loss, net of tax	-	-	-	-	(46)	-	(29)	(75)
Net income (loss)	-	-	-	-	-	(3,211)	196	(3,015)
Balance at December 31, 2018 (13,866,691 shares of class A; 2,068,857 shares of class C)	$ 347	$ 52	$ 15,649	$ (1,885)	$ (258)	$ 7,015	$ 610	$ 21,530

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(dollars in thousands)	Six Months Ended December 31, 2019	2018
Cash Flows from Operating Activities:		
Net loss	$ (4,658)	$ (4,247)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	102	110
Net recognized loss on securities	-	86
Net loss from equity method investment	55	55
Net (income) loss from discontinued operations, net of tax	253	(323)
Foreign currency transaction loss	-	22
Provision for deferred taxes	(249)	(1,077)
Stock bonuses	2	2
Stock-based compensation expense	-	2
Changes in operating assets and liabilities:		
Accounts receivable and notes receivable	2	771
Prepaid expenses and other assets	(207)	(66)
Investment securities	5,064	4,374
Accounts payable and accrued expenses	180	(393)
Total adjustments	5,202	3,563
Net cash provided by (used in) operating activities	544	(684)
Cash Flows from Investing Activities:		
Purchase of equity method investment	-	(230)
Proceeds on sale of equity method investment	-	230
Return of capital on investments	17	20
Net cash provided by investing activities	17	20
Cash Flows from Financing Activities:		
Issuance of common stock	2	3
Repurchases of common stock	(6)	(15)
Dividends paid	(227)	(227)
Net cash used in financing activities	(231)	(239)
Net increase (decrease) in cash, cash equivalents, and restricted cash	330	(903)
Beginning cash, cash equivalents, and restricted cash	2,491	5,766
Ending cash, cash equivalents, and restricted cash	$ 2,821	$ 4,863
Supplemental Disclosures of Cash Flow Information		
Cash paid for income taxes	$ -	$ 119

The accompanying notes are an integral part of these consolidated financial statements.

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, 2019, except for the adoption of new accounting pronouncements discussed below.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, U.S. Global Investors (Bermuda) Limited, U.S. Global Investors (Canada) Limited ("USCAN"), and U.S. Global Indices, LLC, and its 65 percent interest in Galileo Global Equity Advisors Inc. ("Galileo").

Galileo is consolidated with the operations of the Company. The non-controlling interest in this subsidiary is included in "Non-Controlling Interest in Subsidiary" in the equity section of the Consolidated Balance Sheets. Frank Holmes, CEO, and Lisa Callicotte, CFO, serve as directors of Galileo. The Company has entered into a binding letter of intent to sell its shares in Galileo. See Note 2 below for further information. Results of operations of Galileo are presented in the consolidated financial statements as discontinued operations.

There are two primary consolidation models in U.S. GAAP, the variable interest entity ("VIE") and voting interest entity models. The Company's evaluation for consolidation includes whether entities in which it has an interest or from which it receives fees are VIEs and whether the Company is the primary beneficiary of any VIEs identified in its analysis. A VIE is an entity in which either (a) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (b) the group of holders of the equity investment at risk lack certain characteristics of a controlling financial interest. The primary beneficiary is the entity that has the obligation to absorb a majority of the expected losses or the right to receive the majority of the residual returns and consolidates the VIE on the basis of having a controlling financial interest.

The Company holds variable interests in, but is not deemed to be the primary beneficiary of, certain funds it advises, specifically, certain funds in U.S. Global Investors Funds ("USGIF" or the "Funds"). The Company's interests in these VIEs consist of the Company's direct ownership therein and any fees earned but uncollected. See further information about these funds in Notes 3 and 4. In the ordinary course of business, the Company may choose to waive certain fees or assume operating expenses of the funds it advises for competitive, regulatory or contractual reasons (see Note 4 for information regarding fee waivers). The Company has not provided financial support to any of these entities outside the ordinary course of business. The Company's risk of loss with respect to these VIEs is limited to the carrying value of its investments in, and fees receivable from, the entities. The Company does not consolidate these VIEs because it is not the primary beneficiary. The Company's total exposure to unconsolidated VIEs, consisting of the carrying value of investment securities and receivables for fees, was $7.3 million at December 31, 2019, and $8.8 million at June 30, 2019.

Since the Company is not the primary beneficiary of the above funds it advises, the Company evaluated if it should consolidate under the voting interest entity model. Under the voting interest model, for legal entities other than partnerships, the usual condition for control is ownership, directly or indirectly, of more than 50 percent of the outstanding voting shares over an entity. The Company does not have control of any of the above funds it advises; therefore, the Company does not consolidate any of these funds.

The Company currently holds a variable interest in a fund organized as a limited partnership advised by Galileo, and during fiscal years 2019 held a variable interest in another fund advised by Galileo, but these entities do not qualify as VIEs. Since they are not VIEs, the Company evaluated if it should consolidate them under the voting interest entity model. Under the voting interest model, for legal entities other than partnerships, the usual condition for control is ownership, directly or indirectly, of more than 50 percent of the outstanding voting shares over an entity. The Company does not have control of the entities and, therefore, does not consolidate them. However, the Company was considered to have the ability to exercise significant influence. Thus, the investments have been accounted for under the equity method of accounting. See further information about these investments in Note 3.

All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts have been reclassified for comparative purposes. Certain quarterly amounts may not add to the year-to-date amount due to rounding. The results of operations for the six months ended December 31, 2019, 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 and Developments

Accounting Pronouncements Adopted During the Period

In February 2016, the FASB issued ASU 2016-02, *Leases*, and has subsequently issued several amendments (collectively, "ASU 2016-02"), which replaces existing lease accounting guidance. ASU 2016-02 introduces a lessee model that brings most leases on the balance sheet by recording a lease asset and a lease liability. The new standard also requires enhanced disclosure surrounding the amount, timing and uncertainty of cash flows arising from leasing agreements. The new guidance was effective for public business entities for annual periods beginning after December 15, 2018, and interim periods therein. The Company elected the transition method at the adoption date of July 1, 2019, whereby it initially applied the new standard at the adoption date, versus at the beginning of the earliest period presented. Upon adoption, the Company elected the package of transition practical expedients which would allow the Company to carry forward prior conclusions related to: (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for existing leases. Additionally, the Company elected the practical expedient to not separate lease components from nonlease components for all except real estate leases. The Company made an accounting policy election to keep leases with an initial term of 12 months or less off the Consolidated Balance Sheets and will recognize related lease payments in the Consolidated Statements of Operations on a straight-line basis over the lease term. The Company's current leases are primarily for equipment and for office space for the Canadian subsidiary. The adoption resulted in a gross up in total assets and total liabilities on the Company's Consolidated Balance Sheets. Upon adoption on July 1, 2019, the Company's total assets and total liabilities increased by less than $400,000.

In February 2018, the FASB issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* ("ASU 2018-02"). ASU 2018-02 allowed entities the option to reclassify tax effects resulting from recording the effects of the Tax Cuts and Jobs Act enacted in December 2017 from accumulated other comprehensive income to retained earnings. The guidance was effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company adopted this standard on July 1, 2019, with no impact on its consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments,* and has subsequently issued several amendments (collectively, "ASU 2016-13"). ASU 2016-13 adds to U.S. GAAP an impairment model (known as the current expected credit loss model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses. ASU 2016-13 will be effective for smaller reporting companies, including U.S. Global, for fiscal years beginning after December 15, 2022. Earlier application is permitted only for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* ("ASU 2019-04"). ASU 2019-04 clarifies areas of guidance related to the recently issued standards on credit losses (Topic 326), derivatives and hedging (Topic 815), and recognition and measurement of financial instruments (Topic 825). The standard follows the effective dates of the previously issued ASUs, unless an entity has already early adopted the previous ASUs, in which case the effective date will vary according to each specific ASU adoption. The new guidance in ASU 2019-04 on recognizing and measuring financial instruments will be effective for smaller reporting companies, including U.S. Global, for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. If an entity has adopted all of the amendments to ASU 2016-01, it is permitted to early adopt the new guidance. The Company does not believe the adoption of this new amendment will have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). ASU 2019-12 enhances and simplifies various aspects of the income tax accounting guidance. The amendments in ASU 2019-12 are effective for public business entities for fiscal years beginning after December 15, 2020, including interim periods therein. Early adoption of the standard is permitted. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.

Significant Accounting Policies

As a result of the adoptions of accounting pronouncements during the current period that affected leases, the following accounting policies have been updated. For a complete listing of the Company's significant accounting policies, please refer to the Annual Report on Form 10-K for the year ended June 30, 2019.

Leases. The Company and its subsidiaries lease equipment and office space under various leasing arrangements. Leases may be classified as either financing leases or operating leases, as appropriate. The Company determines if a contract is a lease or contains a lease at inception. The Company accounts for its office facility leases as operating leases, which may include escalation clauses. The Company accounts for lease and nonlease components as a single component for its leases, except for real estate leases. The Company elected the short-term lease exception for leases with an initial term of 12 months or less. Consequently, such leases are not recorded on the Consolidated Balance Sheets. The Company's lease terms include options to extend or terminate the lease when it is reasonably certain they will be exercised or not, respectively.

Fixed lease payments are included in right of use ("ROU") assets and lease liabilities within other assets and liabilities, respectively, on the Consolidated Balance Sheets. ROU assets and lease liabilities are recognized based on the present value of the future lease payments over the lease term at the commencement date using the Company's incremental borrowing rate as the discount rate. Fixed lease payments made over the lease term are recorded as lease expense on a straight-line basis. Variable lease payments based on usage, changes in an index or market rate are expensed as incurred.

Upon adoption of ASU 2016-02, for existing leases, the Company elected to determine the discount rate based on the remaining lease term as of July 1, 2019. For new leases, the discount rates are based on the entire noncancelable lease term.

The Company is the lessor of certain areas of its owned office building under operating leases. The Company determines if a contract is a lease or contains a lease at inception. The Company elected not to separate lease and related non-lease components and account for the combined component as an operating lease.

NOTE 2. DISCONTINUED OPERATIONS

USCAN entered into a binding letter of intent dated December 30, 2019, with Galileo whereby Galileo, pursuant to a capital restructuring, will repurchase all of its common shares owned by USCAN for $1.0 million (Canadian). The transaction is subject to the approval of Canadian securities regulatory authorities and to the satisfaction of other closing conditions. It is anticipated that the transaction will close on or about March 2, 2020. After the transaction, the Company will have no continuing involvement with the operations of Galileo, except for an equity method investment in a fund managed by Galileo. See further information on this equity method investment in Note 3, Investments.

The results of Galileo are reflected as "discontinued operations" in the Consolidated Statements of Operations and are therefore, excluded from continuing operations results. Comparative periods shown in the Consolidated Financial Statements have been adjusted to conform to this presentation. Operations of Galileo had previously been presented as the separate business segment of Investment Management Services – Canada.

The components of assets and liabilities classified as discontinued operations were as follows:

(dollars in thousands)	December 31, 2019	June 30, 2019
Assets		
Cash and cash equivalents	$ 1,078	$ 1,482
Accounts and other receivables	67	200
Prepaid expenses	47	52
Net property and equipment	33	38
Right of use assets	207	-
Other assets, non-current	8	8
Total assets held related to discontinued operations	$ 1,440	$ 1,780
Liabilities		
Accounts payable	$ 42	$ 135
Accrued compensation and related costs	-	84
Lease liability, short-term	54	-
Other accrued expenses	142	262
Lease liability, long-term	156	-
Total liabilities held related to discontinued operations	$ 394	$ 481

The components of income (loss) from discontinued operations were as follows:

(dollars in thousands)	Six Months Ended December 31, 2019	2018	Three Months Ended December 31, 2019	2018
Revenues				
Advisory fees	$ 185	$ 1,185	$ 85	$ 1,005
	185	1,185	85	1,005
Expenses				
Employee compensation and benefits	54	301	26	185
General and administrative	383	581	166	284
Depreciation and amortization	5	5	3	3
	442	887	195	472
Other Income (Loss)				
Investment income (loss)	3	30	(7)	36
Other income	1	6	-	2
	4	36	(7)	38
Income (loss) from discontinued operations of investment management services in Canada before income taxes	(253)	334	(117)	571
Tax expense	-	11	-	11
Income (loss) from discontinued operations of investment management services in Canada	(253)	323	(117)	560
Less: net income (loss) attributable to non-controlling interest from discontinued operations	(88)	113	(40)	196
Net income (loss) attributable to U.S. Global Investors, Inc. from discontinued operations of investment management services in Canada	$ (165)	$ 210	$ (77)	$ 364

Galileo provides advisory services for clients in Canada and receives advisory fees based on the net asset values of the clients. Galileo may also receive performance fees from certain clients when market appreciation or realized net gains exceeds established benchmarks. Performance fees, which are included in advisory fees in the table above, are recognized when it is determined that they are no longer probable of significant reversal. Galileo recorded no performance fees from these clients for the three and six months ended December 31, 2019, and $870,000 from these clients for three and six months ended December 31, 2018. Prior to November 2018, performance fees were typically recognized on an annual basis at calendar year-end. Due to changes in funds managed and new agreements in the second quarter of fiscal year 2019, these fees are recognized on a quarterly basis. The receipt of performance fees in the future is uncertain as the fees are dependent upon many factors, including market conditions. Galileo may, at its discretion, waive and absorb some of its clients' operating expenses. The amount of fund expenses waived and absorbed (recovered) was ($20,000) and $20,000 for the three and six months ended December 31, 2019, and $45,000 and $161,000 for the three and six months ended December 31, 2018, respectively.

Galileo has leases for office equipment that expire in fiscal years 2023 and 2024 and for office facilities that expire in fiscal 2023. See further information on these leases in Note 7, Leases.

Galileo files a separate tax return in Canada. Galileo has net operating loss carryovers of $737,000 expiring between fiscal years 2027 and 2039. At December 31, 2019, and June 30, 2019, a valuation allowance for Galileo of $257,000 and $183,000, respectively, was included to fully reserve for net operating loss carryovers, other carryovers and certain book/tax differences in the balance sheet.

NOTE 3. INVESTMENTS

As of December 31, 2019, the Company held investments in securities at fair value totaling approximately $10.0 million with a cost basis of approximately $13.1 million. The fair value of these investments is 53.3 percent of the Company's total assets at December 31, 2019. In addition, the Company held other investments of approximately $1.5 million and investments of approximately $256,000 accounted for under the equity method of accounting.

The Company's equity investments with readily determinable fair values are classified as securities at fair value, and changes in unrealized gains or losses are reported in current period earnings.

Other investments consist of equity investments in entities over which the Company is unable to exercise significant influence and which do not have readily determinable fair values. For these securities, the Company generally elects to value using the measurement alternative, under which such securities are measured at cost, less impairment, plus or minus observable price changes for identical or similar securities of the same issuer with such changes recorded in investment income (loss). See further information about these investments in a separate section of this note.

The cost basis of investments may also be adjusted for amortization of premium or accretion of discount on debt securities held or the recharacterization of distributions from investments in partnerships.

The following details the components of the Company's investments recorded at fair value as of December 31, 2019, and June 30, 2019.

	December 31, 2019		
(dollars in thousands)	Cost	Unrealized Gains (Losses)	Fair Value
Securities at fair value			
Common stock - International	$ 5,641	$ (2,892)	$ 2,749
Common stock - Domestic	45	(45)	-
Mutual funds - Fixed income	6,513	-	6,513
Mutual funds - Domestic equity	929	(169)	760
Total securities at fair value	$ 13,128	$ (3,106)	$ 10,022

	June 30, 2019		
(dollars in thousands)	Cost	Unrealized Gains (Losses)	Fair Value
Securities at fair value			
Common stock - International	$ 5,641	$ 790	$ 6,431
Common stock - Domestic	45	(45)	-
Mutual funds - Fixed income	8,025	(4)	8,021
Mutual funds - Domestic equity	929	(194)	735
Total securities at fair value	$ 14,640	$ 547	$ 15,187

Included in the above table was $7.3 million and $8.8 million as of December 31, 2019, and June 30, 2019, respectively, at fair value invested in USGIF.

Investment Income (Loss)

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

- realized gains and losses on sales of securities;
- unrealized gains and losses on securities at fair value;
- realized foreign currency gains and losses;
- other-than-temporary impairments on available-for-sale debt securities;
- impairments and observable price changes on equity investments without readily determinable fair values; and
- dividend and interest income.

The following summarizes investment income (loss) reflected in earnings from continuing operations:

(dollars in thousands)	Six Months Ended December 31,		Three Months Ended December 31,	
Investment Loss	2019	2018	2019	2018
Unrealized losses on fair valued securities	$ (3,653)	$ (4,374)	$ (591)	$ (3,423)
Unrealized gains on equity securities without readily determinable fair values	100	-	100	-
Realized gains (losses) on sales of fair valued securities	-	-	-	-
Realized foreign currency gains (losses)	-	(44)	1	(57)
Impairments in equity investments without readily determinable fair values	-	(86)	-	(57)
Dividend and interest income	72	173	39	107
Total Investment Loss	$ (3,481)	$ (4,331)	$ (451)	$ (3,430)

The three and six months ended December 31, 2019, included approximately $491,000 and $3.6 million of net unrealized losses recognized on equity securities still held at December 31, 2019.

Investment income can be volatile and varies depending on market fluctuations, the Company's ability to participate in investment opportunities, and timing of transactions. The Company expects that gains and losses will continue to fluctuate in the future.

Fair Value Hierarchy

ASC 820, *Fair Value Measurement and Disclosures*, 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.

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 for which not all significant inputs are observable, directly or indirectly. Corporate debt securities valued in accordance with the evaluated price supplied by an independent service are categorized as Level 2 in the hierarchy. Other securities categorized as Level 2 include securities valued at the mean between the last reported bid and ask quotation and securities valued with an adjustment to the quoted price due to restrictions.

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. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with the investing in those securities. Because of the inherent uncertainties of valuation, the values reflected may materially differ from the values received upon actual sale of those investments.

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 traded on the last business day of the quarter, it is generally valued at the mean between the last bid and ask quotation. The fair value of a security that has a restriction is based on the quoted price for an otherwise identical unrestricted instrument that trades in a public market, adjusted for the estimated effect of the restriction. Mutual funds, which include open- and closed-end funds and exchange-traded funds, are valued at net asset value or closing price, as applicable. Certain corporate debt securities not traded on an exchange may be valued by an independent pricing service using an evaluated quote based on such factors as institutional-size trading in similar groups of securities, yield, quality, maturity, coupon rate, type of issuance and individual trading characteristics and other market data. As part of its independent price verification process, a portfolio management team, which includes representatives from the investment and accounting departments, periodically reviews the fair value provided by the pricing service using information such as transactions in these investments, broker quotes, market transactions in comparable investments, general market conditions and the issuer's financial condition. Certain debt securities may be valued based on review of similarly structured issuances in similar jurisdictions, when possible, or based on other traded debt securities issued by the issuer. The portfolio management team also takes into consideration numerous other factors that could affect valuation such as overall market conditions, liquidity of the security and bond structure. For other securities included in the fair value hierarchy with unobservable inputs, the portfolio management team considers a number of factors in determining a security's fair value, including the security's trading volume, market values of similar class issuances, investment personnel's judgment regarding the market experience of the issuer, financial status of the issuer, the issuer's management, and back testing, as appropriate. The fair values may differ from what may have been used had a broader market for these securities existed. The portfolio management team reviews inputs and assumptions and reports material items to the Board of Directors. Securities which do not have readily determinable fair values are also periodically reviewed by the portfolio management team.

The following presents fair value measurements, as of December 31, 2019, and June 30, 2019, for the major categories of U.S. Global's investments measured at fair value on a recurring basis:

	December 31, 2019			
(dollars in thousands)	**Quoted Prices** (Level 1)	**Significant Other Inputs** (Level 2)	**Significant Unobservable Inputs** (Level 3)	**Total**
Securities at fair value				
Common stock - International	$ 2,216	$ 533	$ -	$ 2,749
Common stock - Domestic	-	-	-	-
Mutual funds - Fixed income	6,513	-	-	6,513
Mutual funds - Domestic equity	760	-	-	760
Total securities at fair value	$ 9,489	$ 533	$ -	$ 10,022

	June 30, 2019			
(dollars in thousands)	**Quoted Prices** (Level 1)	**Significant Other Inputs** (Level 2)	**Significant Unobservable Inputs** (Level 3)	**Total**
Securities at fair value				
Common stock - International	$ 5,599	$ 832	$ -	$ 6,431
Common stock - Domestic	-	-	-	-
Mutual funds - Fixed income	8,021	-	-	8,021
Mutual funds - Domestic equity	735	-	-	735
Total securities at fair value	$ 14,355	$ 832	$ -	$ 15,187

As of December 31, 2019, and June 30, 2019, 95 percent of the Company's financial assets were classified in the fair value hierarchy as Level 1 and 5 percent as Level 2.

The Company has an investment in 10 million common shares of HIVE Blockchain Technologies Ltd. ("HIVE"), a company that is headquartered and traded in Canada with cryptocurrency mining facilities in Iceland and Sweden, at a cost of $2.4 million. The shares are subject to Canadian securities regulations. The investment was valued at approximately $731,000 at December 31, 2019, and $3.6 million at June 30, 2019. Cryptocurrency markets and related stocks have been, and are expected to continue to be, volatile. Cryptocurrency mining is considered an early stage high-risk industry, and the nature of mining is expected to evolve. There has been significant volatility in the market price of HIVE, which has materially impacted the investment's value included on the balance sheet and unrealized gain (loss) recognized in investment income. The Company's direct ownership of HIVE was approximately 3.1 percent as of December 31, 2019. Frank Holmes serves on the board as non-executive chairman of HIVE and held shares and options at December 31, 2019. Effective August 31, 2018, Mr. Holmes was named Interim Executive Chairman of HIVE while a search for a new CEO is undertaken.

The Company has an investment in Thunderbird Entertainment Group Inc. ("Thunderbird"), a company headquartered and traded in Canada, which was valued at approximately $1.2 million at December 31, 2019, of which $788,000 was classified as Level 1 and $440,000 was classified as Level 2 in the fair value hierarchy. The investment was valued at approximately $1.1 million at June 30, 2019, of which $377,000 was classified as Level 1 and $675,000 was classified as Level 2 in the fair value hierarchy. The portion of the investment classified in Level 2 is restricted for resale due to escrow provisions; its valuation is based on the quoted market price adjusted for the restriction on resale. Shares will be released from escrow in April 2020. The shares are subject to Canadian securities regulations. The Company's ownership of Thunderbird was approximately 2.5 percent as of December 31, 2019. Frank Holmes serves on the board of this company as a director and held options at December 31, 2019.

The Company has an investment in GoldSpot Discoveries Corp. ("GoldSpot"), a technology company headquartered and traded in Canada which leverages machine learning in natural resource exploration. The investment was valued at approximately $743,000 at December 31, 2019, of which $696,000 was classified as Level 1 and $47,000 was classified as Level 2 in the fair value hierarchy. The investment was valued at approximately $1.7 million at June 30, 2019, of which $1.6 million was classified as Level 1 and $157,000 was classified as Level 2 in the fair value hierarchy. The portion of the investment classified in Level 2 is restricted for resale due to escrow and regulatory provisions; its valuation is based on the quoted market price adjusted for the restriction on resale. Shares will be released from escrow in February 2020 and August 2020. The shares are subject to Canadian securities regulations. The Company's ownership of GoldSpot was approximately 7.5 percent as of December 31, 2019. Frank Holmes serves on the board of this company as independent chairman and held common stock and options at December 31, 2019.

Table of Contents

Other Investments

The carrying value of equity securities without readily determinable fair values was approximately $1.5 million and $1.4 million as of December 31, 2019, and June 30, 2019, respectively.

The carrying value of equity securities without readily determinable fair values has been adjusted as follows:

	Six Months Ended December 31,		Three Months Ended December 31,	
(dollars in thousands)	2019	2018	2019	2018
Carrying amount, beginning of period	$ 1,404	$ 2,207	$ 1,396	$ 2,168
Adjustments:				
Reclassification to securities at fair value	-	(1,499)	-	(1,499)
Impairments	-	(86)	-	(57)
Other downward adjustments	(16)	(20)	(8)	(10)
Upward adjustments	100	-	100	-
Carrying amount, end of period	$ 1,488	$ 602	$ 1,488	$ 602

Cumulative impairment adjustments to all equity securities without readily determinable fair values total $251,000 since their respective acquisitions through December 31, 2019. The cumulative amount of other downward adjustments, which primarily consist of return of capital distributions, is $669,000, which includes $8,000 and $16,000 for the three and six months ended December 31, 2019, respectively. The cumulative amount of upward adjustments is $717,000 through December 31, 2019, which includes $100,000 in the three months and six months ended December 31, 2019.

Investments Classified as Equity Method

Investments classified as equity method consist of investments in companies in which the Company is able to exercise significant influence but not control. Under the equity method of accounting, the investment is initially recorded at cost, then the Company's proportional share of investee's underlying net income or loss is recorded as a component of "other income (loss)" with a corresponding increase or decrease to the carrying value of the investment. Distributions received from the investee reduce the Company's carrying value of the investment. These investments are evaluated for impairment if events or circumstances arise that indicate that the carrying amount of such assets may not be recoverable.

During fiscal year 2018, the Company, through USCAN, invested approximately $401,000 in the Galileo Technology and Blockchain Fund, a Canadian unit trust investment fund managed by Galileo. The fund reorganized in a taxable transaction into a limited partnership effective November 30, 2018, and the fund terminated. See further discussion below. During the period of ownership, the Company's ownership ranged between approximately 20 and 25 percent, and the Company was considered to have the ability to exercise significant influence. Thus, the investment was accounted for under the equity method of accounting. Under the equity method, the Company's proportional share of the fund's net income or loss, which primarily consists of realized and unrealized gains and losses on investments offset by fund expenses, is recognized in the Company's earnings. Included in other income (loss) for the three and six months ended December 31, 2018, is ($43,000) and ($50,000), respectively, of equity method loss for the Galileo Technology and Blockchain Fund. Frank Holmes also directly held an investment in the fund. This fund had a concentration in technology and blockchain companies, which resulted in volatility in the fund's valuation.

As noted above, the Galileo Technology and Blockchain Fund reorganized into a limited partnership effective November 30, 2018. The investment portfolio and unitholders' interests of the Galileo Technology and Blockchain Fund and the Galileo Partners Fund transferred to the new entity, named Galileo Technology and Blockchain LP. The valuation of the Company's investment in the Galileo Technology and Blockchain Fund as of November 30, 2018, of approximately $230,000 transferred to the Galileo Technology and Blockchain LP. The Company owns approximately 20 percent of the LP as of December 31, 2019, and the Company is considered to have the ability to exercise significant influence. Thus, the investment is accounted for under the equity method of accounting. Included in other income (loss) for the three and six months ended December 31, 2019, is ($28,000) and ($55,000) of equity method loss for this investment. Included in other income (loss) for the three and six months ended December 31, 2018, is ($5,000) and ($5,000) of equity method loss for this investment. The Company's investment in the LP was valued at approximately $256,000 at December 31, 2019. Frank Holmes also directly held an investment in the LP as of December 31, 2019. This investment has a concentration in technology and blockchain companies, which may result in volatility in its valuation.

NOTE 4. INVESTMENT MANAGEMENT AND OTHER FEES

The following table presents operating revenues disaggregated by performance obligation:

(dollars in thousands)	Six Months Ended December 31, 2019	Six Months Ended December 31, 2018	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018
USGIF advisory fees	$ 1,660	$ 1,684	$ 824	$ 773
USGIF performance fees paid	(312)	(262)	(115)	(176)
ETF advisory fees	254	319	133	153
Total Advisory Fees	1,602	1,741	842	750
USGIF administrative services fees	89	96	45	43
Total Operating Revenue	$ 1,691	$ 1,837	$ 887	$ 793

The Company serves as investment adviser to USGIF and receives a fee based on a specified percentage of average assets under management. The advisory agreement for the equity funds within USGIF 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.

The Company has agreed to contractually limit the expenses of the Near-Term Tax Free Fund through April 2020. The Company has voluntarily waived or reduced its fees and/or agreed to pay expenses on the remaining USGIF funds. These caps will continue on a voluntary basis at the Company's discretion. The aggregate fees waived and expenses borne by the Company for USGIF for the three and six months ended December 31, 2019, were $122,000 and $266,000, respectively, compared with $212,000 and $377,000, respectively, for the corresponding period in the prior fiscal year. Management cannot predict the impact of future waivers due the number of variables and the range of potential outcomes.

The Company receives administrative service fees from USGIF based on the average daily net assets at an annual rate 0.05 percent per investor class and 0.04 percent per institutional class of each fund. The institutional classes closed in June 2019.

The Company also serves as investment advisor to two exchange-traded funds (ETFs): U.S. Global Jets ETF (ticker JETS) and U.S. Global GO GOLD and Precious Metal Miners ETF (ticker GOAU). The Company receives a unitary management fee of 0.60 percent of average net assets and has agreed to bear all expenses of the ETFs.

As of December 31, 2019, the Company had $329,000 in receivables from fund clients, of which $281,000 was from USGIF and $48,000 from ETFs. As of June 30, 2019, the Company had $201,000 in receivables from fund clients, of which $159,000 was from USGIF and $42,000 from ETFs.

NOTE 5. RESTRICTED CASH

Restricted cash represents cash invested in a money market account as collateral for credit facilities that is not available for general corporate use. A reconciliation of cash, cash equivalents, and restricted cash reported from the consolidated balance sheets to the statements of cash flows is shown below:

(dollars in thousands)	December 31, 2019	June 30, 2019
Cash and cash equivalents	$ 1,796	$ 1,466
Restricted cash	1,025	1,025
Total cash, cash equivalents, and restricted cash	$ 2,821	$ 2,491

NOTE 6. NOTES RECEIVABLE

Previously, the Company held a note receivable with an unrelated third party which had an annual interest rate of 15 percent and a stated maturity in November 2021. Interest was paid monthly. Quarterly principal repayments started in February 2019. The balance of this note was $199,000 at June 30, 2019, all of which was classified in current assets. The issuer elected an early redemption option and paid the note in full in July 2019. Proceeds were received for the principal and all accrued interest, and no gain or loss was realized.

NOTE 7. LEASES

The Company has lease agreements on a continuing operations basis for office equipment and real estate in Canada that expire between fiscal years 2020 and 2023. Lease expense included in continuing operations totaled $38,000 and $76,000 for the three and six months ended December 31, 2019, and $46,000 and $96,000 for the three and six months ended December 31, 2018, respectively.

The Company's subsidiary Galileo, which is classified as discontinued operations as described in Note 2, has lease agreements for office equipment that expire in fiscal years 2021 and 2024 and for office facilities that expire in fiscal 2023. Lease expense included in discontinued operations totaled $29,000 and $60,000 for the three and six months ended December 31, 2019, and $27,000 and $54,000 for the three and six months ended December 31, 2018, respectively.

For continuing operations, the components of lease expense included in general and administrative expense on the Consolidated Statements of Operations and qualitative information concerning the Company's operating leases were as follows:

(dollars in thousands)	**Six Months Ended December 31, 2019**	**Three Months Ended December 31, 2019**
Operating lease cost	$ 26	$ 13
Short-term lease cost	50	25
Total lease cost	$ 76	$ 38
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	$ 26	$ 13
Right-of-use assets obtained in exchanged for:		
Net operating lease liabilities	$ 141	$ -
Weighted-average remaining lease term (in years)	2.33	
Weighted-average discount rate	4.11%	

Maturities of lease liabilities from continuing operations as of December 31, 2019, are as follows:

(dollars in thousands) **Fiscal Year**	**Operating Leases**
2020 (excluding the six months ended December 31, 2019)	$ 26
2021	53
2022	44
Total lease payments	123
Less imputed interest	(6)
Total	$ 117

The Company is the lessor of certain areas of its owned office building under operating leases expiring in various years through fiscal year 2023. At the commencement of an operation lease, no income is recognized; subsequently, lease payments received are recognized on a straight-line basis. Lease income included in other income on the Consolidated Statements of Operations for the three and six months ending December 31, 2019, was $24,000 and $41,000, respectively. The cost of obtaining lessor contracts, which is included in other assets on the Consolidated Balance Sheets, was $8,000 and $0 at December 31, 2019, and June 30, 2019, respectively.

A summary analysis of annual undiscounted cash flows to be received on leases as of December 31, 2019, is as follows:

(dollars in thousands) **Fiscal Year**	**Operating Leases**
2020 (excluding the six months ended December 31, 2019)	$ 32
2021	97
2022	81
2023	34
Total lease payments	$ 244

The Company may terminate the building leases with one hundred eighty days written notice if it sells the property. If the Company terminates the lease, the Company will pay the tenant a termination fee of the lesser of six months of the base monthly rent or the base monthly rent times the number of months remaining in the initial term.

NOTE 8. BORROWINGS

As of December 31, 2019, the Company has no borrowings or long-term liabilities except for lease obligations.

The Company has access to a $1 million credit facility for working capital purposes. The credit agreement requires the Company to maintain certain covenants; the Company has been in compliance with these covenants during the current fiscal year. The credit agreement will expire on May 31, 2020, and the Company intends to renew annually. The credit facility is collateralized by $1 million at December 31, 2019, shown as restricted cash on the balance sheet, held in deposit in a money market account at the financial institution that provided the credit facility. As of December 31, 2019, the credit facility remains unutilized by the Company.

NOTE 9. STOCKHOLDERS' EQUITY

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 $0.0025 per share was paid during fiscal year 2019 and for July 2019 through December 2019 and is authorized through March 2020, at which time it will be considered for continuation.

The Company has a share repurchase program, approved by the Board of Directors, authorizing the Company to annually purchase up to $2.75 million of its outstanding common shares, as market and business conditions warrant, on the open market in compliance with Rule 10b-18 of the Securities Exchange Act of 1934 through December 31, 2020. The repurchase program has been in place since December 2012, and the Board of Directors has annually renewed the repurchase program each calendar year. The acquired shares may be used for corporate purposes, including shares issued to employees in the Company's stock-based compensation programs. For the three and six months ended December 31, 2019, the Company repurchased 2,000 and 3,400 class A shares using cash of $3,000 and $6,000, respectively. For the three and six months ended December 31, 2018, the Company repurchased 11,000 and 12,000 class A shares using cash of $13,000 and $15,000, respectively.

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. There were 2,000 options outstanding and exercisable at December 31, 2019, at a weighted average exercise price of $2.74. There were no options granted or exercised for the three or six months ended December 31, 2019. There were 2,000 options that were forfeited during the three and six months ended December 31, 2019. There were no options granted, exercised, or forfeited for the three or six months ended December 31, 2018.

Stock-based compensation expense is measured at the grant date based on the fair value of the award, and the cost is recognized as expense ratably over the award's vesting period. There was no stock-based compensation expense for the three and six months ended December 31, 2019. Stock-based compensation expense was $0 and $2,000 for the three and six months ended December 31, 2018. As of December 31, 2019, and 2018, there was no unrecognized share-based compensation cost related to share-based awards granted under the plans.

NOTE 10. 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,		Three Months Ended December 31,	
(dollars in thousands, except per share data)	2019	2018	2019	2018
Loss from Continuing Operations	$ (4,405)	$ (4,570)	$ (926)	$ (3,575)
Income (Loss) from Discontinued Operations	(253)	323	(117)	560
Less: Net Income (Loss) Attributable to Non-Controlling Interest from Discontinued Operations	(88)	113	(40)	196
Net Income (Loss) Attributable from Discontinued Operations to U.S. Global Investors, Inc.	(165)	210	(77)	364
Net Loss Attributable to U.S. Global Investors, Inc.	$ (4,570)	$ (4,360)	$ (1,003)	$ (3,211)
Weighted average number of outstanding shares				
Basic	15,129,674	15,145,293	15,129,114	15,145,702
Effect of dilutive securities				
Employee stock options	-	-	-	-
Diluted	15,129,674	15,145,293	15,129,114	15,145,702
Earnings Per Share Attributable to U.S. Global Investors, Inc.				
Basic Net Income (Loss) per Share				
Loss from continuing operations	$ (0.29)	$ (0.30)	$ (0.06)	$ (0.24)
Net income (loss) from discontinued operations	$ (0.01)	$ 0.01	$ -	$ 0.03
Net loss	$ (0.30)	$ (0.29)	$ (0.06)	$ (0.21)
Diluted Net Income (Loss) per Share				
Loss from continuing operations	$ (0.29)	$ (0.30)	$ (0.06)	$ (0.24)
Income (loss) from discontinued operations	$ (0.01)	$ 0.01	$ -	$ 0.03
Net loss	$ (0.30)	$ (0.29)	$ (0.06)	$ (0.21)

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, 2019, employee stock options for 2,000 were excluded from diluted EPS. For the three and six months ended December 31, 2018, employee stock options for 4,000 were excluded from diluted EPS.

During the three and six months ended December 31, 2019, and 2018, the Company repurchased class A shares on the open market. Upon repurchase, these shares are classified as treasury shares and are deducted from outstanding shares in the earnings per share calculation.

NOTE 11. INCOME TAXES

The Company and its non-Canadian subsidiaries file a consolidated U.S. federal income tax return. USCAN and Galileo file separate tax returns in Canada. See income tax information for Galileo in Note 2, Discontinued Operations. 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.

For U.S. federal income tax purposes at December 31, 2019, the Company has U.S. federal net operating loss carryovers of $8.3 million with $2.0 million and $2.7 million expiring in fiscal years 2035 and 2036, respectively, and $3.6 million with no expiration. Certain limitations apply to the utilization of net operating losses with no expiration, which were generated after fiscal year 2018. The Company has capital loss carryovers of $1.1 million with $728,000 and $348,000 expiring in fiscal years 2022 and 2023, respectively. The Company has charitable contribution carryovers totaling approximately $55,000 with $19,000; $5,000; $10,000; $5,000 and $16,000 expiring in fiscal years 2020, 2021, 2023, 2024, and 2025, respectively. If certain changes in the Company's ownership should occur, there could be an annual limitation on the amount of net operating loss carryovers that could be utilized.

For Canadian income tax purposes, USCAN has total net operating loss carryovers of $354,000 with $236,000 and $118,000 expiring in fiscal years 2039 and 2040, respectively, and capital loss carryovers of $75,000 with no expiration.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax amount will not be realized. At December 31, 2019, and June 30, 2019, a valuation allowance of $2.7 million and $1.9 million, respectively, was included to fully reserve for net operating loss carryovers, other carryovers and certain book/tax differences in the balance sheet.

NOTE 12. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables present the change in accumulated other comprehensive income (loss) ("AOCI") by component:

	Six Months Ended December 31,		Three Months Ended December 31,	
(dollars in thousands)	2019	2018	2019	2018
Beginning Balance	$ (206)	$ 1,858	$ (219)	$ (212)
Foreign currency translation adjustment, net of tax [1]	1	(27)	14	(46)
Reclassification as a result of adoption of accounting guidance [2]	-	(2,089)	-	-
Ending Balance	$ (205)	$ (258)	$ (205)	$ (258)

1. *Amounts include no tax expense or benefit.*
2. *Effective July 1, 2018, upon the adoption of ASU 2016-01, the Company no longer has an available-for-sale category for equity securities for which changes in fair value are recognized in other comprehensive income (loss).*

NOTE 13. FINANCIAL INFORMATION BY BUSINESS SEGMENT

The Company operates principally in two business segments on a continuing operations basis: providing investment management services to USGIF and ETF clients; and investing for its own account in an effort to add growth and value to its cash position. The former segment of investment management services in Canada is discussed in Note 2, Discontinued Operations. The following schedule details total revenues and income for continuing operations by business segment:

(dollars in thousands)	Investment Management Services	Corporate Investments	Consolidated
Six months ended December 31, 2019			
Net operating revenues	$ 1,691	$ -	$ 1,691
Investment loss	$ -	$ (3,481)	$ (3,481)
Loss from equity method investments	$ -	$ (55)	$ (55)
Other income	$ 61	$ -	$ 61
Loss from continuing operations before income taxes	$ (1,000)	$ (3,654)	$ (4,654)
Depreciation and amortization	$ 96	$ 6	$ 102
Gross identifiable assets at December 31, 2019	$ 5,207	$ 12,055	$ 17,262
Total assets held related to discontinued operations			$ 1,440
Deferred tax asset			$ 110
Consolidated total assets at December 31, 2019			$ 18,812
Six months ended December 31, 2018			
Net operating revenues	$ 1,837	$ -	$ 1,837
Investment loss	$ -	$ (4,331)	$ (4,331)
Loss from equity method investments	$ -	$ (55)	$ (55)
Other income	$ 19	$ -	$ 19
Loss from continuing operations before income taxes	$ (1,211)	$ (4,459)	$ (5,670)
Depreciation and amortization	$ 110	$ -	$ 110
Three months ended December 31, 2019			
Net operating revenues	$ 887	$ -	$ 887
Investment loss	$ -	$ (451)	$ (451)
Loss from equity method investments	$ -	$ (28)	$ (28)
Other income	$ 39	$ -	$ 39
Loss from continuing operations before income taxes	$ (413)	$ (538)	$ (951)
Depreciation and amortization	$ 48	$ 3	$ 51
Three months ended December 31, 2018			
Net operating revenues	$ 793	$ -	$ 793
Investment loss	$ -	$ (3,430)	$ (3,430)
Loss from equity method investments	$ -	$ (48)	$ (48)
Other income	$ 15	$ -	$ 15
Loss from continuing operations before income taxes	$ (805)	$ (3,514)	$ (4,319)
Depreciation and amortization	$ 55	$ -	$ 55

Net operating revenues from investment management services includes operating revenues from USGIF of $754,000 and $1.4 million, respectively, for the three and six months ended December 31, 2019, and $640,000 and $1.5 million, respectively, for the three and six months ended December 31, 2018. Net operating revenues from investment management services also include operating revenues from ETF clients of $133,000 and $254,000, respectively, for the three and six months ended December 31, 2019, and $153,000 and $319,000, respectively, for the three and six months ended December 31, 2018.

NOTE 14. 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 $0.0025 per share through March 2020, 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 expected to be paid to class A and class C shareholders from January to March 2020 is approximately $113,000.

As discussed in Note 2, Discontinued Operations, the Company has a binding letter of intent to sell its 65-percent ownership in Galileo. It is anticipated that the transaction will close on or about March 2, 2020. The Company will continue to record its 65 percent interest of Galileo operations, which may include operational losses, until the close of the transaction.

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

U.S. Global Investors, Inc. (the "Company" or "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 on a continuing operations basis: (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.

Prior to December 31, 2019, the Company also reported a business segment for investment management services in Canada. The Company, through its Canadian subsidiary U.S. Global Investors (Canada) Limited ("USCAN"), owns a 65 percent controlling interest in Galileo Global Equity Advisors Inc. ("Galileo"), which offers investment management products and services in Canada. USCAN entered into a binding letter of intent dated December 30, 2019, with Galileo whereby Galileo, pursuant to a capital restructuring, will purchase back all of its common shares owned by the USCAN for $1.0 million (Canadian). The transaction is subject to the approval of Canadian securities regulatory authorities and to the satisfaction of other closing conditions. It is anticipated that the transaction will close on or about March 2, 2020. See Note 2, Discontinued Operations, to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q, for further information on the pending transaction. The Company will continue to record its 65 percent interest of Galileo operations, which may include operational losses, until the close of the transaction. At December 31, 2019, total Galileo assets under management were $16.9 million versus $31.5 million at December 31, 2018, a decrease of 46.3 percent. During the six months ended December 31, 2019, average assets under management were $22.9 million versus $39.8 million during the six months ended December 31, 2018. Total assets under management at December 31, 2019, were $16.9 million versus $30.0 million at June 30, 2019, the Company's prior fiscal year end.

The following is a brief discussion of the Company's business segments included in continuing operations.

Investment Management Services

The Company generates operating revenues from managing and servicing U.S. Global Investors Funds ("USGIF" or the "Funds"). 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 asset levels of the Funds, thereby affecting income and results of operations. Detailed information regarding the Funds managed by the Company within USGIF can be found on the Company's website, www.usfunds.com, including the prospectus and performance information for each Fund. The mutual fund shareholders in USGIF are not required to give advance notice prior to redemption of shares in the Funds.

The Company provides advisory services for two exchange-traded fund ("ETF") clients and receives monthly advisory fees based on the net asset values of the funds. Information on the ETFs can be found at www.usglobaletfs.com, including the prospectus, performance and holdings. The ETFs' authorized participants are not required to give advance notice prior to redemption of shares in the ETFs, and the ETFs do not charge a redemption fee.

At December 31, 2019, total assets under management, including USGIF and ETF clients, were $543.6 million versus $504.0 million at December 31, 2018, an increase of 7.9 percent. During the six months ended December 31, 2019, average assets under management were $510.7 million versus $550.8 million during the six months ended December 31, 2018. Total assets under management as of period-end at December 31, 2019, including USGIF and ETF clients, were $543.6 million versus $510.1 million at June 30, 2019, the Company's prior fiscal year end.

The following tables summarize the changes in assets under management for USGIF for the three and six months ended December 31, 2019, and 2018:

	Changes in Assets Under Management Six Months Ended December 31,					
	2019			2018		
(dollars in thousands)	Equity	Fixed Income	Total	Equity	Fixed Income	Total
Beginning Balance	$ 334,684	$ 90,921	$ 425,605	$ 389,442	$ 106,231	$ 495,673
Market appreciation (depreciation)	43,326	728	44,054	(54,893)	680	(54,213)
Dividends and distributions	(2,973)	(603)	(3,576)	(20,774)	(626)	(21,400)
Net shareholder redemptions	(19,768)	(5,304)	(25,072)	(3,611)	(9,081)	(12,692)
Ending Balance	$ 355,269	$ 85,742	$ 441,011	$ 310,164	$ 97,204	$ 407,368
Average investment management fee	0.97%	0.02%	0.77%	0.97%	0.01%	0.75%
Average net assets	$ 336,917	$ 89,559	$ 426,476	$ 343,473	$ 101,557	$ 445,030

	Changes in Assets Under Management Three Months Ended December 31,					
	2019			2018		
(dollars in thousands)	Equity	Fixed Income	Total	Equity	Fixed Income	Total
Beginning Balance	$ 324,644	$ 90,400	$ 415,044	$ 347,350	$ 100,643	$ 447,993
Market appreciation (depreciation)	37,915	331	38,246	(25,520)	521	(24,999)
Dividends and distributions	(2,973)	(295)	(3,268)	(20,774)	(324)	(21,098)
Net shareholder purchases (redemptions)	(4,317)	(4,694)	(9,011)	9,108	(3,636)	5,472
Ending Balance	$ 355,269	$ 85,742	$ 441,011	$ 310,164	$ 97,204	$ 407,368
Average investment management fee	0.98%	0.04%	0.78%	0.96%	0.00%	0.73%
Average net assets	$ 330,360	$ 88,759	$ 419,119	$ 320,867	$ 99,536	$ 420,403

As shown above, USGIF period-end assets under management were higher at December 31, 2019, compared to December 31, 2018. However, average net assets for the three-month period in the current fiscal year were slightly lower than the same period in the previous fiscal year. Average net assets for the six-month period in the current fiscal year were also lower than the same period in the previous fiscal year. The three and six months ended December 31, 2019, had net market appreciation across all funds, but primarily in the gold funds, compared to net market depreciation for the three and six months ended December 31, 2018, in the equity funds. A significant portion of the dividends and distributions shown above were reinvested and included in net shareholder purchases (redemptions). The combined amounts for these two lines for all periods shown were negative.

The average annualized investment management fee rate (total advisory fees, excluding performance fees, as a percentage of average assets under management) was 78 and 77 basis points for the three and six months ended December 31, 2019, and 73 and 75 basis points for the same periods in the prior year. The average investment management fee for the equity funds was 98 and 97 basis points for the three and six months ended December 31, 2019, and 96 and 97 basis points for the same periods in the prior year. The Company has agreed to contractually or voluntarily limit the expenses of the Funds. Therefore, the Company waived or reduced its fees and/or agreed to pay expenses of the Funds. Due to fee waivers, the average investment management fee for the fixed income funds was 4 and 2 basis points for the three and six months ended December 31, 2019, and nil and 1 basis points for the same periods in the prior year, respectively.

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, 2019, the Company held investments with a fair value of approximately $10.0 million and a cost basis of approximately $13.1 million. The fair value of these investments is 53.3 percent of the Company's total assets. In addition, the Company held other investments which do not have readily determinable fair values of approximately $1.5 million and $256,000 in investments accounted for under the equity method of accounting.

Investments recorded at fair value were approximately $10.0 million at December 31, 2019, compared to approximately $15.2 million at June 30, 2019, the Company's prior fiscal year end, which is a decrease of approximately $5.2 million. See Note 3, Investments, to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q, for further information regarding investment activities.

RESULTS OF OPERATIONS – Three months ended December 31, 2019, and 2018

The Company posted a net loss attributable to U.S. Global Investors, Inc. of $1.0 million ($0.06 per share loss) for the three months ended December 31, 2019, compared with a net loss attributable to U.S. Global Investors, Inc. of $3.2 million ($0.21 per share loss) for the three months ended December 31, 2018, a decrease in loss of approximately $2.2 million. The decrease in loss is primarily due to improvement in unrealized investment losses and an increase in operating revenues, as discussed further below.

Operating Revenues

Total consolidated operating revenues for the three months ended December 31, 2019, increased $94,000, or 11.9 percent, compared with the three months ended December 31, 2018. This increase was primarily attributable to the following:

- Advisory fees increased by $92,000, or 12.3 percent, primarily as a result of higher average assets under management in equity funds and lower performance fees paid out. Advisory fees are comprised of two components: base management fees and performance fees.
  - Base management fees increased $31,000. Base fees for USGIF increased despite a decrease in total average net assets because average assets were higher for the equity funds, which have higher management fee rates compared to fixed income funds, and also because fee waivers were lower in the current period. ETF unitary management fees decreased due to a decrease in ETF average assets under management.
  - Performance fees for USGIF paid out in the current period were $115,000 compared to $176,000 in fees paid out in the corresponding period in the prior year, a positive change of $61,000. The performance fee, which applies to the USGIF equity funds only, is a fulcrum 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.

Operating Expenses

Total consolidated operating expenses for the three months ended December 31, 2019, decreased $251,000, or 15.2 percent, compared with the three months ended December 31, 2018. The change in operating expenses was primarily attributable to a decrease in employee compensation and benefits expenses of $155,000, or 19.7 percent, primarily due to decreased bonuses, and a decrease in general and administrative expenses of $103,000, or 13.4 percent, primarily due to decreased fund expenses.

Other Income (Loss)

Total consolidated other loss for the three months ended December 31, 2019, decreased $3.0 million, or 87.3 percent, compared with the three months ended December 31, 2018. The decrease in loss was primarily due to the following factors:

- Investment loss was $451,000 for the three months ended December 31, 2019, compared to an investment loss of $3.4 million for the three months ended December 31, 2018, a positive change of approximately $3.0 million. There were unrealized losses of $591,000 in the current period. The same quarter in the prior year had unrealized losses of $3.4 million and a $57,000 impairment loss. The majority of the unrealized loss in both periods was related to technology and cryptocurrency mining equity securities held in corporate investments. Cryptocurrency markets and related stocks have been, and are expected to continue to be, volatile. See further discussion of this security and other investments in Note 3, Investments, to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

- There was a $28,000 loss from equity method investments for the three months ended December 31, 2019, compared to a $48,000 loss for the three months ended December 31, 2018, a positive change of $20,000. The equity method investments held during both periods, in Galileo offerings, were concentrated in technology and cryptocurrency mining stocks. Cryptocurrency markets and related stocks have been, and are expected to continue to be, volatile. There is potential for continued significant volatility in the valuation of the equity method investment currently held, and thus the portion of the entity's net income or loss that is included in the Company's earnings. See further discussion on these equity method investments in Note 3, Investments, to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

Provision for Income Taxes

A tax benefit from continuing operations of $25,000 was recorded for the three months ended December 31, 2019, compared to a tax benefit of $744,000 for the three months ended December 31, 2018. Note that the Company currently has net operating loss carryovers in certain jurisdictions, including the United States. A valuation allowance has been recorded to fully reserve for net operating loss carryovers, other carryovers and certain book/tax differences in the balance sheet. The tax benefit in the current quarter is primarily the result of operating losses in the Company's Canadian subsidiary USCAN, while the tax benefit in the same quarter in the prior year was primarily the result of a decrease in valuation of certain investments held by USCAN, which decreased the related deferred tax liability.

Income (Loss) from Discontinued Operations

Income (loss) from discontinued operations represents results of the Company's subsidiary Galileo. Loss from discontinued operations, net of tax, for the three months ended December 31, 2019, was $117,000, compared to net income from discontinued operations, net of tax, for the three months ended December 31, 2018, of $560,000. There were no performance fees for Galileo clients received in the current period compared to $870,000 received in the corresponding period in the prior year, decreasing revenue by $870,000. Galileo may receive performance fees from certain clients when market appreciation or realized net gains exceeds established benchmarks. In addition, revenue was lower in the current period due to the closure in July 2019 of one of the mutual funds managed by Galileo and the closure in September 2019 of the ETF managed by Galileo. The decrease in revenue from the prior period was somewhat offset by lower expenses, primarily due to lower fund expenses and lower compensation due to a decrease in employees.

RESULTS OF OPERATIONS – Six months ended December 31, 2019, and 2018

The Company posted a net loss attributable to U.S. Global Investors, Inc. of $4.6 million ($0.30 loss per share) for the six months ended December 31, 2019, compared to a net loss attributable to U.S. Global Investors, Inc. of $4.4 million ($0.29 loss per share) for the six months ended December 31, 2018, an increase in loss of approximately $210,000. The net increase in loss is primarily due to losses from discontinued operations, as discussed further below.

Operating Revenues

Total consolidated operating revenues for the six months ended December 31, 2019, decreased $146,000, or 7.9 percent, compared with the six months ended December 31, 2018. This decrease was primarily attributable to the following:

- Advisory fees decreased by $139,000, or 8.0 percent, primarily as a result of lower average assets under management and an increase in performance fees paid out. Advisory fees are comprised of two components: a base management fee and a performance fee.
  - Base management fees decreased $89,000. Base fees for USGIF decreased as a result of lower average assets under management, primarily due to shareholder redemptions. ETF unitary management fees also decreased due to a decrease in ETF average assets under management.
  - Performance fees for USGIF paid out in the current period were $312,000 compared to $262,000 in fees paid out in the corresponding period in the prior year, a negative change of $50,000. The performance fee, which applies to the USGIF equity funds only, is a fulcrum 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.
- Administrative services fee revenue decreased by $7,000, or 7.3 percent, due to lower average net assets under management upon which these fees are based in the current period.

Operating Expenses

Total consolidated operating expenses for the six months ended December 31, 2019, decreased $270,000, or 8.6 percent, compared with the six months ended December 31, 2018. The change in operating expenses was primarily attributable to a decrease in general and administrative expenses of $131,000, or 8.9 percent, primarily due to decreased fund expenses, and a decrease in employee compensation and benefits expenses of $125,000, or 8.5 percent, primarily due to decreased bonuses.

Other Income

Total consolidated other loss for the six months ended December 31, 2019, decreased $892,000, or 20.4 percent, compared with the six months ended December 31, 2018. The decrease in loss was primarily due to the following factors:

- There was an investment loss of $3.5 million for the six months ended December 31, 2019, compared to an investment loss of $4.3 million for the six months ended December 31, 2018, a positive change of approximately $850,000. There were unrealized losses of $3.7 million in the current period, compared to the same period in the prior year, which had unrealized losses of $4.4 million and $86,000 in impairment losses. The majority of the unrealized loss in the both periods was related to technology and cryptocurrency mining equity securities held in corporate investments. Cryptocurrency markets and related stocks have been, and are expected to continue to be, volatile. See further discussion of this security and other investments in Note 3, Investments, to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

- Loss from equity method investments was $55,000 for both the six months ended December 31, 2019, and 2018. The equity method investments held during both periods, in Galileo offerings, are concentrated in technology and cryptocurrency mining stocks. Cryptocurrency markets and related stocks have been, and are expected to continue to be, volatile. Cryptocurrency mining is considered an early stage high-risk industry, and the nature of mining is expected to evolve. There is potential for continued significant volatility in the valuation of the equity method investment currently held, and thus the portion of the entity's net income or loss that is included in the Company's earnings. See further discussion on these equity method investments in Note 3, Investments, to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

Provision for Income Taxes

A tax benefit from continuing operations of $249,000 was recorded for the six months ended December 31, 2019, compared to a tax benefit of $1.1 million for the six months ended December 31, 2018. Note that the Company currently has net operating loss carryovers in certain jurisdictions, including the United States. A valuation allowance has been recorded to fully reserve for net operating loss carryovers, other carryovers and certain book/tax differences in the balance sheet. The tax benefit in the current period is primarily the result of operating losses in USCAN, while the tax benefit in the same period in the prior year was primarily the result of a decrease in valuation of certain investments held by USCAN, which decreased the related deferred tax liability.

Income (Loss) from Discontinued Operations

Income (loss) from discontinued operations represents results of the Company's subsidiary Galileo. Loss from discontinued operations, net of tax, for the six months ended December 31, 2019, was $253,000, compared to net income from discontinued operations, net of tax, for the six months ended December 31, 2018, of $323,000. There were no performance fees for Galileo clients received in the current period compared to $870,000 received in the corresponding period in the prior year, decreasing revenue by $870,000. Galileo may receive performance fees from certain clients when market appreciation or realized net gains exceeds established benchmarks. In addition, revenue was lower in the current period due to the closure in July 2019 of one of the mutual funds managed by Galileo and the closure in September 2019 of the ETF managed by Galileo. The decrease in revenue from the prior period was somewhat offset by lower expenses, primarily due to lower fund expenses and lower compensation due to a decrease in employees.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2019, the Company had net working capital (current assets minus current liabilities) of approximately $10.2 million and a current ratio (current assets divided by current liabilities) of 8.0 to 1. With approximately $1.8 million in cash and cash equivalents and approximately $9.5 million in unrestricted securities at fair value, the Company has adequate liquidity to meet its current obligations. Total U.S. Global Investors, Inc. shareholders' equity is approximately $16.9 million, with cash, cash equivalents, and unrestricted marketable securities comprising 60.2 percent of total assets.

Note that approximately $1.1 million in cash in Galileo is excluded from the amounts above as it is considered discontinued operations. The Company, through its subsidiary USCAN, entered into a binding letter of intent dated December 30, 2019, with Galileo whereby Galileo, pursuant to a capital restructuring, will repurchase all of its common shares owned by the USCAN for $1.0 million (Canadian). The transaction is subject to the approval of Canadian securities regulatory authorities and to the satisfaction of other closing conditions. It is anticipated that the transaction will close on or about March 2, 2020. The Company will continue to record its 65 percent interest of Galileo operations, which may include operational losses, until the close of the transaction.

As of December 31, 2019, the Company has no borrowings or long-term liabilities except for lease obligations. The Company's primary commitment going forward is for operating expenses. The Company also has access to a $1 million credit facility for working capital purposes. The credit agreement requires the Company to maintain certain covenants; the Company has been in compliance with these covenants during the current fiscal year. The credit agreement will expire on May 31, 2020, and the Company intends to renew annually. The credit facility is collateralized by $1 million at December 31, 2019, held in deposit in a money market account at the financial institution that provided the credit facility. As of December 31, 2019, the credit facility remains unutilized by the Company.

The investment advisory and administrative services contracts between the Company and USGIF have been renewed through September 2020, and management anticipates that the contracts will be renewed. The investment advisory contracts between the Company and the ETFs expire in September 2020, and management anticipates that the contracts will be renewed.

The primary cash requirements are for operating activities. The Company also uses cash to purchase investments, pay dividends and repurchase Company stock. The cash outlays for investments and dividend payments are discretionary, and management or the Board may discontinue as deemed necessary. The stock repurchase plan is approved through December 31, 2020, but may be suspended or discontinued at any time. Cash and unrestricted marketable securities of approximately $11.3 million are available to fund current activities. Management believes current cash reserves, investments, and financing available will be sufficient to meet foreseeable cash needs for operating activities.

CRITICAL ACCOUNTING ESTIMATES

For a discussion of other 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, 2019.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Investment Management and Administrative Services Fees

Revenues are generally based upon a percentage of the market value of assets under management in accordance with contractual agreements. Accordingly, fluctuations in the financial markets have a direct effect on the Company's operating results. A significant portion of assets under management in equity funds have exposure to international markets and/or natural resource sectors, which may experience volatility. In addition, fluctuations in interest rates may affect the value of assets under management in fixed income funds.

Performance Fees

USGIF advisory fees are comprised of two components: a base management fee and a performance fee. The performance fee is a fulcrum 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.

As a result, the Company's revenues are subject to volatility beyond market-based fluctuations discussed in the investment management and administrative services fees section above. For the three and six months ended December 31, 2019, the Company realized a decrease in its USGIF base advisory fee of $115,000 and $312,000, respectively, due to these performance adjustments. For the three and six months ended December 31, 2018, the Company realized a decrease in its USGIF base advisory fee of $176,000 and $262,000, respectively, due to these performance adjustments.

Corporate Investments

The Company's Consolidated Balance Sheets includes assets whose fair value is subject to market risks. Due to the Company's investments in securities recorded at fair value, price fluctuations represent a market risk factor affecting the Company's consolidated financial position. The carrying values of investments subject to 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 price risks in securities recorded at fair value as of December 31, 2019, and shows the effects of a hypothetical 25 percent increase and a 25 percent decrease in market prices.

(dollars in thousands)	Fair Value at December 31, 2019	Hypothetical Percentage Change	Estimated Fair Value After Hypothetical Price Change
Securities at fair value [1]	$ 10,022	25% increase	$ 12,528
		25% decrease	$ 7,516

1 *Unrealized and realized gains and losses on securities at fair value are included in earnings in the Consolidated Statements of Operations.*

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 markets and the concentration of the Company's investment portfolio.

A significant portion of securities at fair value in the above table is an investment in HIVE Blockchain Technologies Ltd. ("HIVE"), which was valued at approximately $731,000 million at December 31, 2019. HIVE is discussed in more detail in Note 3, Investments, to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q. HIVE is a company that is headquartered and traded in Canada with cryptocurrency mining facilities in Iceland and Sweden. Cryptocurrency markets and related stocks have been, and are expected to continue to be, volatile. Cryptocurrency mining is still considered an early stage high-risk industry, and the nature of mining is expected to evolve. There is potential for significant continued volatility in the market price of HIVE, which could materially impact the investment's value included on the balance sheet and unrealized gain (loss) recognized in investment income.

In addition to the securities at fair value shown in the table above, the Company has an equity method investment in Galileo Technology and Blockchain LP valued at approximately $256,000 as of December 31, 2019. As discussed further in Note 3, Investments, to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q, the Galileo Technology and Blockchain LP, a Canadian limited partnership managed by Galileo, has investments concentrated in technology and cryptocurrency mining stocks. As noted above, exposure to the cryptocurrency industry may result in volatility in the valuation of this investment. Under the equity method, the Company's proportional share of the LP's net income or loss, which primarily consists of realized and unrealized gains and losses on investments offset by expenses, is recognized in the Company's earnings. The potential significant volatility the valuation of the LP's investments could cause the its net income or loss to vary significantly from period to period, which in turn would be reflected in the Company's earnings.

Foreign currency risk

A portion of cash and certain corporate investments, including the Company's equity method investment, are held in foreign currencies, primarily Canadian. Adverse changes in foreign currency exchange rates would lower the value of those cash accounts and corporate investments. Certain assets under management also have exposure to foreign currency fluctuations in various markets, which could impact their valuation and thus the revenue received by the Company.

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, 2019, 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, 2019.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2019, 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, 2019. There have been no material changes since fiscal year end to the risk factors listed therein.

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

Issuer Purchases of Equity Securities

(dollars in thousands, except price data)

Period	Total Number of Shares Purchased [1]	Total Amount Purchased	Average Price Paid Per Share [2]	Total Number of Shares Purchased as Part of Publicly Announced Plan [3]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan
10-01-19 to 10-31-19	2,000	$ 3	$ 1.61	2,000	$ 2,734
11-01-19 to 11-30-19	-	-	$ -	-	$ 2,734
12-01-19 to 12-31-19	-	-	$ -	-	$ 2,734
Total	2,000	$ 3	$ 1.61	2,000	

1 *The Board of Directors of the company approved on December 7, 2012, and renewed annually, a repurchase of up to $2.75 million in each of calendar years 2013 through 2020 of its outstanding class A common stock from time to time on the open market in accordance with all applicable rules and regulations.*

2 *The average price paid per share of stock repurchased under the stock repurchase program includes the commissions paid to brokers.*

3 *The repurchase plan was approved on December 7, 2012, renewed annually, and will continue through calendar year 2020. The total amount of shares that may be repurchased in 2020 under the renewed program is $2.75 million.*

Table of Contents

ITEM 6. EXHIBITS

1. Exhibits –

14.02	Code of Ethics, Revision Dated December 4, 2019 to Code Approved March 21, 2018, included herein.
31.1	Rule 13a-14(a) Certifications (under Section 302 of the Sarbanes-Oxley Act of 2002), included herein.
32.1	Section 1350 Certifications (under Section 906 of the Sarbanes-Oxley Act Of 2002), included herein.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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 11, 2020	BY: /s/ Frank E. Holmes Frank E. Holmes Chief Executive Officer
DATED:	February 11, 2020	BY: /s/ Lisa C. Callicotte Lisa C. Callicotte Chief Financial Officer

Exhibit 14.02 — Code of Ethics, Revision Dated December 4, 2019 to Code Approved March 21, 2018

Approved December 4, 2019

U.S. Global Investors, Inc.
Code of Ethics

Summary and Scope

WHAT THE CODE IS ABOUT

Helping to ensure that U.S. Global Investors, Inc. ("USGI") personnel place the interests of USGI clients ahead of their own personal interests.

WHO THE CODE APPLIES TO AND WHAT THE IMPLICATIONS ARE

This Code applies to individuals in the following categories:

- USGI Employees and Directors (except that an outside director does not need to comply with the preclearance and holding requirements of paragraphs 8 through 12 or the reporting requirements of paragraphs 27 through 30 unless he or she participates in or obtains information regarding the purchase or sale of securities or is involved in making securities recommendations or has access to such recommendations that are non-public. An outside director must comply with the acknowledgement provision of paragraph 30).
- Consultants, interns and temporary workers, if USGI has decided to make you subject to the Code based on your contract length, job duties, work location and other factors.

For individuals who are subject to the Code, there are two designations with different implications: Access Person and Investment Person.

ACCESS PERSON

All USGI Employees are considered Access Persons since they have, or potentially could have, access to non-public information about securities transactions and other investments, holdings or recommendations for Advised Accounts or Portfolios.

INVESTMENT PERSON

An Access Person who meets any of the following criteria will in addition be considered an Investment Person:

- The Access Person is a Portfolio Manager, Research Analyst or Research Assistant. They otherwise participate in making recommendations or decisions concerning the purchase or sale of securities in any Advised Account or Portfolio.
- The Access Person has been designated an Investment Person by the CCO of USGI.

KEY CONSEQUENCE OF THIS DESIGNATION

An Investment Person is prohibited from transacting in securities during the period starting 7 calendar days before, and ending 7 calendar days after, any trade in an Advised Account or Portfolio for which he/she has responsibility. In addition, an Investment Person's personal transactions will be reviewed for conflicts in the period starting 7 calendar days before, and ending 7 calendar days after, all trades by USGI.

In some cases, the Investment Person may be required to reverse a trade and/or forfeit an appropriate portion of any profit as determined by the CCO of USGI. These consequences can apply even if the trade was pre-cleared.

IMPORTANT TO UNDERSTAND

Personal trading is a privilege, not a right. USGI Employees and Directors are expected to follow the law and adhere to the highest standards of behavior, including with respect to personal trading. Any violation of the Code could have severely adverse effects on you, your co-workers and USGI. Because personal trading is a privilege, it must not distract from an employee's performance of his or her daily work on behalf of USGI and the funds and other advised accounts it manages. If personal trading becomes a distraction, the privilege will be withdrawn. You may be held personally liable for your conduct and be subject to fines, regulatory sanctions, and even criminal penalties. Because USGI may restrict your trading or take actions such as forcing you to hold a position or to disgorge profits, personal trading carries risks beyond normal market risks.

Some requirements in this Code apply to Household Members. Each Household Member (see "Terms with Special Meanings" below) is subject to the same restrictions and requirements that apply to his/her related USGI Employee.

The Code does not address every ethical issue that might arise. If you have any doubt at all after consulting the Code, contact the CCO of USGI for guidance.

The Code applies to appearance as well as substance. Always consider how any action might appear to an outside observer (such as a client or regulator).

You are expected to follow the Code both in letter and in spirit. Literal compliance, such as pre-clearing a transaction, does not necessarily protect you from liability for conduct that violates the spirit of the Code. If you have questions about how to comply with this Code, consult the CCO of USGI.

WHO TO CONTACT

- USGI CCO: Monica Blanco
- USGI Compliance Department: 210-308-1239

TERMS WITH SPECIAL MEANINGS

Within this policy, these terms are defined as follows:

Advised Account or Portfolio: Any Affiliated Fund, or any portfolio or client account advised or sub- advised by USGI.

Affiliated Fund: Any USGI branded or sponsored open-end fund, closed-end fund, or Exchange Traded Fund (ETF), and any third-party fund advised or sub-advised by USGI.

Automatic Investment Plan: Any program such as a dividend reinvestment plan (DRIP) or automated payroll deduction, under which investment account purchases or withdrawals occur according to a predetermined schedule and allocation.

Broad-Based Securities Market Index - an index not administered by an affiliated organization and that is widely recognized and used. To be considered "broad based," the index must be generally viewed as reflecting the movement of the entire market, including a variety of industries or sectors. Examples include the S&P 500, Wilshire 5000, Russell 3000. A narrow-based index is one comprised of a limited number of securities or securities representing a particular segment of the whole market.

Beneficial Ownership: Any interest by which you or any Household Member, directly or indirectly, derives a monetary benefit from purchasing, selling, or owning a security or account, or exercises investment discretion.

You have Beneficial Ownership of securities held in accounts in your own name, or any Household Member 's name, and in all other accounts over which you or any Household Member exercises or may exercise investment decision-making powers, or other influence or control, including trust, partnership, estate, and corporate accounts or other joint ownership or pooling arrangements.

Code: This Code of Ethics.

Domestic Partner: An individual who is neither a relative of, or legally married to, a USGI Employee, but shares a residence and is in a mutual commitment similar to marriage with such USGI Employee.

Federal Securities Laws: The applicable portions of any of the following laws, as amended, and of any rules adopted under them by the Securities and Exchange Commission or the Department of the Treasury:

- Securities Act of 1933.
- Securities Exchange Act of 1934.
- Investment Company Act of 1940.
- Investment Advisers Act of 1940.
- Sarbanes-Oxley Act of 2002.
- Title V of the Gramm-Leach-Bliley Act.
- The Bank Secrecy Act.

Household Member: Any of the following who reside, or are expected to reside, for at least 90 days a year, in the same household as a USGI Employee:

- Spouse or Domestic Partner.
- Sibling.
- Child, stepchild, grandchild.
- Parent, stepparent, grandparent.
- In-laws, (mother, father, son, daughter, brother, sister).

Managed Account: Any account in which you or a Household Member has Beneficial Ownership and for which you have delegated full investment discretion in writing to a third-party broker or investment manager.

USGI Employee: Any full-or part-time employee of USGI, and any consultants, interns or temporary workers designated by the CCO of USGI.

Reportable Account: Any account for which you or a Household Member has Beneficial Ownership AND in which securities (and interests in cryptocurrency that may be classified as a "security") can be bought or held. This includes, among others:

- All Managed Accounts.
- Any USGI 401(k) plan account.
- Any 401(k) plan account from a previous employer that permits the purchase of any Reportable Security.
- Any direct holding in an Affiliated Fund (as earlier defined, this includes ETFs sponsored or advised by USGI).
- Any retirement account or health savings account (HSA) that permits the purchase of any Reportable Security, and any 529 college savings plan that permits the purchase of Affiliated Funds.
- Any account holding cryptocurrencies that may be a security (anything other than bitcoin and ethereum).

The following are NOT considered Reportable Accounts:

- Charitable giving accounts.
- Accounts held directly with a mutual fund complex in which non-Affiliated Funds are the only possible investment.

Reportable Security: Any security EXCEPT:

- Direct obligations of the U.S. government (indirect obligations, such as Fannie Mae and Freddie Mac securities, are reportable).
- Certificates of deposit, bankers' acceptances, commercial paper, and high quality short-term debt (including repurchase agreements).
- Money market funds.
- Open-end funds that are not Affiliated Funds.
- Cryptocurrencies other than bitcoin and ethereum.

Reportable Transaction: Any transaction involving a Reportable Security EXCEPT:

- Transactions in Managed Accounts.
- Transactions occurring under an Automatic Investment Plan (this includes Automated Payroll Deductions).

GENERAL RESTRICTIONS AND REQUIREMENTS

BASIC PRINCIPLES

1. Never abuse a client's trust, rights, or interests. This means you must never do any of the following:

- Engage in any plan or action, or use any device, that would defraud or deceive a client.
- Make any material statements of fact that are incorrect or misleading, either as to what they include or omit.
- Engage in any manipulative practice.
- Use your position (including any knowledge or access to opportunities you have gained by virtue of your position) to personal advantage or to a client’s disadvantage. This would include, for example, front- running or tailgating (trading directly before or after the execution of a large client trade order), or any attempt to influence a client's trading to enhance the value of your personal holdings.
- Conduct personal trading in any way that could be inconsistent with your fiduciary duties to a client (even if it does not technically violate the Code).

2. Handle conflicts of interest appropriately. This applies not only to actual conflicts of interest, but also to any situation that might appear to an outside observer to be improper or a breach of fiduciary duty.

3. Keep confidential information confidential. Always properly safeguard any confidential information you obtain in the course of your work. This includes confidential information related to any of the following:

- Any Advised Account or Portfolio and any other financial product offered or serviced by USGI.
- New products, product changes, or business initiatives.
- Past, current, and prospective clients, including their identities, investments, and account activity.

"Keeping information confidential" means using discretion in disclosing information as well as guarding against unlawful or inappropriate access by others.

This includes:

- Making sure no confidential information is visible on your computer screen and desk when you are not there.
- Not sharing passwords with others.
- Using caution when discussing business in any location where your conversation could be overheard. Confidential information may be released only as required by law or as permitted under the applicable privacy policy. Consult the CCO of USGI before releasing any confidential information.

4. Handle Material Non-Public Information properly. Follow all of the terms described in "Material Non-Public Information" below. Be aware that any failure to handle such information properly is a serious offense and may lead to disciplinary action from USGI as well as serious civil or criminal liability.

5. Comply with Federal Securities Laws. Any violation of these laws is punishable as a violation of the Code.

6. Never do anything indirectly that, if done directly, would violate the Code. Such actions will be considered the equivalent of direct Code violations.

7. Promptly alert the CCO of USGI of any actual or suspected wrongdoing. Examples of wrongdoing include violations of the Federal Securities Laws, misuse of corporate assets, misuse of confidential information, or other violations of the Code. If you prefer to report confidentially, call the legacy USGI Confidential Hotline at 210-308-1256. Note that failure to report suspected wrongdoing in a timely fashion is itself a violation of the Code.

PRE-CLEARANCE AND HOLDING REQUIREMENTS

8. Pre-clear any trade in Reportable Securities, including certain Affiliated Funds

If your trade requires pre-clearance, request approval before you or any Household Member places an order to buy or sell any Reportable Security. Any approval you receive expires at the end of the trading day it was granted; however, you may place after hours trades in international markets until 11:59 p.m. local time on that day. When requesting pre-clearance, follow this process:

- Request pre-clearance on the same trading day you want to trade. Be sure your pre-clearance request is accurate as to security and direction of trade.
- Wait for approval before trading. If you receive approval, you may only trade that same trading day, and only within the scope of approval. If you do not receive approval, do not trade.
    - Trades of up to $10,000 on any day in a security that is part of a Broad-Based Securities Market Index may be pre-cleared for up to five business days where the transaction order is based on a rule established at the outset, i.e., purchase IBM each day that it opens at $100 or less.

- Place day orders only. Do not place good-til-canceled orders. You may place orders for an after-hours trading session using that day's preclearance approval, but you must not place any order that could remain open into the next regular trading session.

9. Hold positions in Reportable Securities for 60 calendar days, or be prepared to forfeit any gains. Generally, you may sell the security on the 60th day after purchase. This requirement extends to any options or other transactions that may have the same effect as a purchase or sale (such as the exercise of an option contract) and to all Reportable Securities-except for ETFs that are non-Affiliated Funds and are based on approved Broad-Based Securities Market indices and permitted options on these ETFs. The requirement is tested on a last-in-first-out basis, across all of your holdings (not just within individual accounts). The CCO may grant exceptions to the 60-day requirement upon request, but will not do so where the number or dollar amount of the trade or trades requested is excessive.

You may be required to surrender any gains realized (net of commissions) through a violation of this rule. You may close a position at a loss at any time, provided pre- clearance has been obtained or an exemption applies.

10. Comply with trading restrictions described in the prospectuses for all Affiliated Funds. This includes restrictions on frequent trading in shares of any open-end Affiliated Fund. Any violation of these trading restrictions is punishable as a violation of the Code.

11. Pre-clear any transaction in a Managed Account that involves your influence. You must also immediately consult with the CCO of USGI to discuss whether the account in question can properly remain classified as a Managed Account.

12. Obtain approval before investing in a private placement (such as a private equity investment, hedge fund, or limited partnership) and before selling or redeeming a private placement that is branded, sponsored, advised or sub-advised by USGI. This includes transactions in any private funds advised or sub-advised by USGI. Approval is required even if the investment is made in a Managed Account. Approval is not needed for additional capital calls following the initial investment.

WHAT NEEDS TO BE PRE-CLEARED

Pre-clearance required:

- All actively initiated trades in Reportable Securities, except those listed here under "No pre-clearance required."

Be aware that pre-clearance can be withdrawn even after it has been granted, and even after you have traded, if USGI later becomes aware of Affiliate-Advised Account or Portfolio trades whose existence would have resulted in denial of preclearance. In these cases you may be required to reverse a trade and/or forfeit an appropriate portion of any profit, as determined by the CCO of USGI.

- Note that closed-end funds and ETFs are Reportable Securities, but certain ETFs do not need to be pre-cleared. These ETFs are listed here under "No pre-clearance required."

No pre-clearance required:

- Shares of any open-end mutual-fund (including Affiliated Funds).
- ETFs that are not Affiliated Funds and are based on approved Broad-Based Securities Market indices.
- CDs and commercial paper.
- Securities acquired or disposed of through actions outside your control or issued pro rata to all holders of the same class of investment, such as automatic dividend reinvestments, stock splits, mergers, spin-offs, or rights subscriptions.

- Sales pursuant to a bona fide tender offer.
- Trades made through an Automatic Investment Plan that has been disclosed to the CCO of USGI.
- Trades in a Managed Account (except that you must pre-clear any trades that involve your influence, any initial purchases of private placements, and any sales or redemptions of private placements that are branded, sponsored, advised or sub-advised by USGI).
- Foreign currency futures (any foreign exchange swap or foreign currency forward except for an instrument traded on a national securities exchange relating to foreign currency) and permitted financial futures (See Section 15).

OTHER RESTRICTIONS

13. Never knowingly trade any security being traded or considered for trade by any Advised Account or Portfolio. This applies to employee transactions in securities that are exempt from pre-clearance, and includes equivalent or related securities.

For example, if a company's common stock is being traded, you may face restrictions on trading any of the company's debt, preferred, or foreign equivalent securities, and from trading or exercising any options based on the company's securities.

14. Always prioritize client trades over personal trades. Your fiduciary duties to the client are far more important than your personal trading, which is a privilege and not a right. Never delay or in any way alter the timing or terms of a client trade for your personal benefit.

15. Do not engage in trading that involves single stock futures or a naked short position. Options are permitted only for hedging purposes (i.e., the sale of covered calls or the purchase of puts that are offset by existing long positions), with short sales "against the box" permitted.

16. Never participate in an investment club or similar entity.

17. Do not engage in excessive or inappropriate trading activity. Never let personal trading interfere with your professional duties. USGI’s CCO will determine what constitutes excessive or inappropriate trading.

18. Never purchase an IPO without advance approval. Equity IPO participation is generally prohibited, but approval may be granted in special circumstances, such as when:

- You already have equity in the company and are offered shares.
- You are a policy holder or depositor in a company that is demutualizing.
- A family member has been offered shares as an employee.

You may receive approval for offerings of fixed income securities, convertible securities, preferred securities, open- and closed-end funds or commodity pools.

Policy on Service as a Director of a Public Company

19. Prohibition against Serving as a Director of a Public Company. No one except the Independent Directors and the Chief Executive Officer (“CEO”) shall serve on the board of directors of a publicly traded company (“Public Company”) (other than USGI, its subsidiaries and affiliates, including investment companies).

20. Notice about CEO to Serve as Director. If the CEO intends to serve as a director of a Public Company (or if he serves as a director for a private company that proposes to become public), he shall first notify the boards of directors of USGI and the board of trustees of each investment company registered under the 1940 Act for which USGI serves as investment adviser. Each Board shall be given an opportunity to ask questions and discuss the CEO’s proposed service as a director.

21. Trading Restrictions While Serving as Director. When the CEO serves on the board of directors of a Public Company, he (trading for his own account) and USGI (trading for its own accounts or on behalf of the U.S. Global Funds or Other USGI-Managed Accounts) are prohibited from trading in the securities of the Public Company (except during the “Trading Window”) for as long as the CEO serves as a director and continuing until the Public Company issues a Form 10-K, 10-Q, or otherwise makes a public announcement which discloses any material nonpublic information which the CEO may possess. The Trading Window begins on the third trading day after the Public Company issues a Form 10-K, 10-Q, or otherwise makes a public announcement that discloses any material nonpublic information the CEO may possess and continues for a period of 30 days after publication. If the Public Company has an insider trading policy that is in whole or in part more restrictive than this Code, the more restrictive provision shall apply to the CEO or USGI.

22. Pre-Clearance Requirement. The CEO (trading for his own account) and USGI (trading for its own accounts or on behalf of the U.S. Global Funds or Other USGI-Managed Accounts) may trade in the securities of the Public Company during the "Trading Window" after the CEO pre-clears the transactions with the Chief Compliance Officer.

MATERIAL NON-PUBLIC INFORMATION

What is Material Non-Public Information?

Material Non-Public Information is defined as information regarding any security, securities-based derivatives or issuer of a security that is both material and non-public.
Information is material if both of the following are true:

- A reasonable investor would likely consider it important when making an investment decision.
- Public release of the information would likely affect the price of a security.

If you believe you have received material non-public information, you must consult the policy on Protection of Material Non-public Information.

- Until you receive further instructions from the CCO of USGI, do not take any action in relation to the information, including trading or recommending the relevant securities or communicating the information to anyone else.
- Never make decisions on your own regarding potential Material Non-Public Information, including whether such information is actually Material Non-Public Information or what steps should be taken.
- If the CCO of USGI determines that you have Material Non-Public Information:
    - Do not buy, sell, gift, or otherwise dispose of the securities, whether on behalf of an Advised Account or Portfolio, yourself, or anyone else.
    - Do not in any way recommend, encourage, or influence others to transact in the issuer's securities, even if you do not specifically disclose or reference the Material Non- Public Information.

REPORTING REQUIREMENTS

UPON BECOMING A USGI EMPLOYEE

23. Within 7 calendar days of starting at USGI, acknowledge receipt of the Code. This includes certifying that you have read the Code, understand it, recognize that you are subject to it, have complied with all of its applicable requirements, and have submitted all Code-required reports.

24. Within 7 calendar days of starting at USGI, report all of your Reportable Accounts and holdings in Reportable Securities. Include current information (no older than 45 calendar days before your first day of employment) on all Reportable Securities. For each security, provide the security name and type, a ticker symbol or CUSIP, the number of shares or units held, and principal amount (dollar value). For each Reportable Account, provide information about the broker, dealer, or bank through which the account is held and the type of account. For each Reportable Account, submit a copy of the most recent statement.

Note that there are separate procedures for Managed Accounts, as described below in item 27.

25. Within 7 calendar days of starting at USGI, report all current investments in private placements (limited offerings). Limited offerings are Reportable Securities.

26. Within 30 calendar days of starting at USGI, instruct each broker-dealer that you trade through to provide duplicate account statements to USGI.

WHEN OPENING ANY NEW REPORTABLE ACCOUNT (INCLUDING A MANAGED ACCOUNT)

27. Obtain pre-approval for any new Managed Account. Using the appropriate form available from the CCO of USGI, provide representations that supports the classification of the account as a Managed Account. For an account to be classified as a Managed Account, the account owner must have no direct or indirect influence or control over the securities in the account. The form must be signed by the account's broker or investment manager and by all account owners (you and/or any Household Member). You may be asked periodically to confirm these representations.

You are responsible for ensuring that duplicate statements of the Managed Account are sent to the CCO of USGI.

28. Report any new Reportable Account (other than a Managed Account) that is opened. Do this within 7 calendar days of the date you or a Household Member opens the account or an account becomes a Reportable Account through marriage, cohabitation, divorce, death, or another event.

EVERY QUARTER

29. Within 20 calendar days of the end of each calendar quarter, verify that all Reportable Transactions made during that quarter have been reported.

You are responsible for ensuring that USGI promptly receives copies of all account statements.

For each Reportable Transaction, you must provide, as applicable, the transaction date, security name and type, ticker symbol or CUSIP, interest rate (coupon) and maturity date, number of shares, price at which the transaction was effected, principal amount (dollar value), the nature of the trade (buy or sell), and the name of the broker, dealer, or bank that effected the transaction. It is very important that you carefully review and verify the transactions and related details, checking for accuracy and completeness. If you find any errors or omissions, promptly correct or add to your list of transactions.

EVERY YEAR

30. Within 30 calendar days of the end of each calendar year, acknowledge receipt of the most recent version of the Code and file your Annual Holdings and Accounts Report.

The report must contain the information described in item 20 above, and include your certification that you have reported all Reportable Accounts, and all holdings and transactions in Reportable Securities for the previous year.

For Managed Accounts, you must affirm annually (for yourself and on behalf of any Household Member) the classification of the account as a Managed Account through a separate certification. No broker or investment manager involvement is required on this annual reaffirmation.

All Employees and Directors must acknowledge receipt of the Code and any amendments to the Code that occur during the course of the year.

ADDITIONAL RULES FOR INVESTING IN EMPLOYER SECURITIES

Purchases or sales of securities issued by USGI raises issues under the securities laws. Your ability to purchase or sell such securities will depend upon, among other things, whether you have or are deemed to have material non-public information about USGI securities. You should refer to USGI's Compliance Manual for additional information found in the policy titled "Limitations on Trading In USGI Stock".

CODE ADMINISTRATION

Training

You will be required to participate in training on the Code when joining USGI as well as periodically thereafter.

Exceptions

The Code exists to prevent violations of law. The CCO of USGI may, under certain circumstances, grant waivers from a Code requirement. No waivers or exceptions that would violate any law will be granted.

Monitoring

The CCO of USGI is responsible for monitoring transactions and holdings for any violations of this Code.

Consequences of violation

Any individual who violates the Code is subject to penalty. Penalties could include, among other possibilities, a written warning, restriction of trading privileges, disgorgement of trading profits, fines, and suspension or termination of employment.

Applicable rules

The Code has been adopted in recognition of USGI's fiduciary obligations to clients and in accordance with various provisions of Rule 204A-1 under the Investment Advisers Act of 1940 and Rule 17j-1 under the Investment Company Act of 1940.

Exhibit 31.1 - Rule 13a-14(a) Certifications
(under 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 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 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 11, 2020

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

Rule 13a-14(a) Certifications
(under Section 302 of the Sarbanes-Oxley Act of 2002

I, Lisa C. Callicotte, 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 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 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 11, 2020

/s/ Lisa C. Callicotte
Lisa C. Callicotte
Chief Financial Officer

Exhibit 32.1 — Section 1350 Certifications
(under Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report of U.S. Global Investors, Inc. (the Company) on Form 10-Q for the quarter ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Frank E. Holmes, Chief Executive Officer of the Company, hereby certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 11, 2020
/s/ Frank E. Holmes
Frank E. Holmes
Chief Executive Officer

A signed original of the written statement required by Section 906 has been provided to U.S. Global Investors, Inc. and will be retained by U.S. Global Investors, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Section 1350 Certifications
(under Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report of U.S. Global Investors, Inc. (the Company) on Form 10-Q for the quarter ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Lisa C. Callicotte, Chief Financial Officer of the Company, hereby certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

3. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

4. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 11, 2020
/s/ Lisa C. Callicotte
Lisa C. Callicotte
Chief Financial Officer

A signed original of the written statement required by Section 906 has been provided to U.S. Global Investors, Inc. and will be retained by U.S. Global Investors, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.