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

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarterly Period Ended June 30, 2002

Commission File No. 0-14710

XOMA Ltd.

(Exact Name of Registrant as specified in its charter)

Bermuda	52-2154066
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2910 Seventh Street, Berkeley, CA 94710
(Address of principal executive offices) (Zip Code)

(510) 204-7200
(Registrant's telephone number, including area code)

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

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

Yes X No ___

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

Class	Outstanding at June 30, 2002
Common shares US$.0005 par value	70,321,322

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XOMA Ltd.

FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

XOMA Ltd.

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CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 30, 2002 (Unaudited)	December 31, 2001 (Note 1)
ASSETS		
Current Assets:		
<S>	<C>	<C>
Cash and cash equivalents	$ 49,148	$ 67,320
Short-term investments	320	320
Related party receivables	454	418
Receivables	6,795	1,662
Inventory	1,306	1,299
Prepaid expenses and other	709	249
Total current assets	58,732	71,268
Property and equipment, net	19,671	14,645
Deposits and other	206	194
Total Assets	$ 78,609	$ 86,107
LIABILITIES & SHAREHOLDERS' EQUITY (Net Capital Deficiency)		
Current Liabilities:		
Accounts payable	$ 5,866	$ 3,520
Accrued liabilities	5,586	4,422
Capital lease obligations-- current	908	673
Deferred revenue-- current	2,894	5,017
Convertible subordinated note-- current	5,066	5,013
Total current liabilities	20,320	18,645
Capital lease obligations-- long term	1,785	1,393
Deferred revenue-- long term	1,000	1,470
Convertible subordinated notes-- long term	57,029	50,980
Total Liabilities	80,134	72,488
Shareholders' Equity (Net Capital Deficiency)	(1,525)	13,619
Total Liabilities & Shareholders' Equity (Net Capital Deficiency)	$ 78,609	$ 86,107

</TABLE>

Note 1 - Amounts derived from the Company's audited financial statements appearing in the Annual Report on Form 10-K for the year ended December 31, 2001 as filed with the Securities and Exchange Commission.

See accompanying notes to condensed consolidated financial statements.

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XOMA Ltd.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Revenues:				
<S>	<C>	<C>	<C>	<C>
License and collaborative fees	$ 1,340	$ 1,051	$ 7,653	$ 2,066
Contract and other revenue	3,384	4161	6,293	6,002
Total revenues	4,724	5,212	13,946	8,068
Operating Costs and Expenses:				
Research and development	10,759	9,465	20,694	17,935
Marketing, general and administrative	3,849	2,095	8,698	3,705
Total operating costs and expenses	14,608	11,560	29,392	21,640
Loss from operations	(9,884)	(6,348)	(15,446)	(13,572)
Other Income (Expense):				
Investment and other income	232	580	504	979
Interest and other expense	(493)	(880)	(1,142)	(1,630)
Net loss	$ (10,145)	$ (6,648)	(16,084)	$(14,223)
Basic and diluted net loss per Common Share	$ (0.14)	$ (0.10)	$ (0.23)	$ (0.21)
Shares used in computing basic and diluted net loss per Common Share	70,309	66,280	70,269	66,227

</TABLE>

See accompanying notes to condensed consolidated financial statements.

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XOMA Ltd.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Six Months Ended June 30,	
	2002	2001
Cash Flows From Operating Activities:		
<S>	<C>	<C>
Net cash used in operating activities	$ (17,366)	$ (11,534)
Cash Flows From Investing Activities:		
Proceeds from sale of short-term investments	--	253
Purchase of property and equipment	(5,851)	(3,741)
Net cash used in investing activities	(5,851)	(3,488)
Cash Flows From Financing Activities:		
Proceeds from issuance of common shares, net	399	47,734
Proceeds related to convertible notes	4,020	3,496
Proceeds from capital leases	1,000	662
Payments under capital leases	(374)	(105)
Net cash provided by financing activities	5,045	51,787
Net increase (decrease) in cash and cash equivalents	(18,172)	36,765
Cash and cash equivalents at beginning of period	67,320	35,043
Cash and cash equivalents at end of period	$ 49,148	$ 71,808

</TABLE>

See accompanying notes to condensed consolidated financial statements.

XOMA Ltd.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited, dollars in thousands)

NOTE 1 - Operations and Summary of Significant Accounting Policies

Business

XOMA Ltd. ("XOMA" or the "Company"), a Bermuda company, is a biopharmaceutical company that develops and manufactures products to treat cancer, immunologic and inflammatory disorders, and infectious diseases. The Company's products are presently in various stages of development and all are subject to regulatory approval before the Company or its collaborators can commercially introduce any products. There can be no assurance that any of the products under development by the Company will be developed successfully, obtain the requisite regulatory approval or be successfully manufactured or marketed.

Basis of Presentation

The interim information contained in this report is unaudited but, in management's opinion, includes all normal recurring adjustments necessary for a fair presentation of results for the periods presented. Interim results may not be indicative of results to be expected for the full year or future periods. The unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2001 included in its Annual Report on Form 10-K.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Concentration of Risk

Cash, cash equivalents, short-term investments and accounts receivable are financial instruments which potentially subject the Company to concentrations of credit risk. The Company maintains and invests excess cash in money market funds and short-term investments which bear minimal risk. The Company has not experienced any significant credit losses and does not generally require collateral on receivables. For the six months ended June 30, 2002, three customers represented 40%, 36% and 22% of total revenues and as of June 30, 2002 billed and unbilled receivables totaled $2,500, $4,000 and $0 for these customers, respectively. For the six months ended June 30, 2001, two customers represented 48% and 46% of total revenues.

Recent Accounting Pronouncements

In July of 2001, the Financial Accounting Standards Board, or FASB, issued Statements of Financial Accounting Standards No. 141, or SFAS 141, "Business Combinations." SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations except for qualifying business combinations that were initiated prior to July 1, 2001. In addition, SFAS 141 further clarifies the criteria to recognize intangible assets separately from goodwill. Specifically, SFAS 141 requires that an intangible asset may be separately recognized only if such an asset meets the contractual-legal criterion or the separability criterion. The requirements of SFAS 141 are effective for any business combination accounted for by the purchase method that is completed after June 30, 2001 (i.e., the acquisition date is July 1, 2001 or after). The adoption of SFAS 141 on January 1, 2002 had no material impact on the Company's financial position or results of operations.

In July of 2001, the FASB issued Statements of Financial Accounting Standards No. 142, or SFAS 142, "Goodwill and Other Intangible Assets." Under SFAS 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. For intangible assets with indefinite useful lives, the impairment review will involve a comparison of fair value to carrying value, with any excess of carrying value over fair value being recorded as an impairment loss. For goodwill, the impairment test shall be a two-step process, consisting of a comparison of the fair value of a reporting unit with its carrying amount, including the goodwill allocated to each reporting unit. If the carrying amount is in excess of the fair value, the implied fair value of the reporting unit goodwill is compared to the carrying amount of the reporting unit goodwill. Any excess of the carrying value of the reporting unit goodwill over the implied fair value of the reporting unit goodwill will be recorded as an impairment loss. Separable intangible assets that are deemed to have a finite life will continue to be amortized over their useful lives (but with no maximum life). Intangible assets with finite useful lives will continue to be reviewed for impairment in accordance with Statements of Financial Accounting Standards No. 121, or SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. The adoption of SFAS 142 on January 1, 2002 had no material impact on the Company's financial position or results of operations.

In August of 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations." SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated retirement costs. The adoption of SFAS 143 on January 1, 2002 had no material impact on the Company's financial position or results of operations.

In October of 2001, the FASB issued SFAS 144, "Accounting for the Impairment or

Disposal of Long-Lived Assets," which supersedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS 144 addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. However, SFAS 144 retains the fundamental provisions of SFAS 121 for: (1) recognition and measurement of the impairment of long-lived assets to be held and used; and (2) measurement of long-lived assets to be disposed of by sale. SFAS 144 is effective for fiscal years beginning after December 15, 2001. The adoption of SFAS 144 on January 1, 2002 had no material effect on the Company's financial position or results of operations.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)
(Unaudited, dollars in thousands)

Revenue Recognition

Revenue is recognized when the related costs are incurred and the four basic criteria of revenue recognition are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services rendered; (3) the fee is fixed and determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the nature of the fee charged for products or services delivered and the collectibility of those fees.

License and Collaborative Fees

Revenue from non-refundable, up-front license or technology access payments under license and collaborative agreements where the Company has a continuing obligation to perform is recognized as revenue over the period of the continuing performance obligation. Revenue from such payments that are not dependent on future performance by the Company under such agreements is recognized as revenue when the amount thereof is fixed and determinable and collectibility is reasonably assured.

Milestone payments under collaborative arrangements are recognized as revenue upon achievement of the incentive milestone events, which represent the culmination of the earnings process because the Company has no future performance obligations related to the payment. Milestone payments that require a continuing performance obligation on the part of the Company are recognized over the period of the continuing performance obligation. Incentive milestone payments are triggered either by the results of our research efforts or by events external to the Company, such as regulatory approval to market a product or the achievement of specified sales levels by a marketing partner. Amounts received in advance are recorded as deferred revenue until the related milestone is achieved.

Contract Revenue

Contract revenue for research and development involves the Company providing research, development or manufacturing services on a best efforts basis to collaborative partners. The Company recognizes revenue under these arrangements as the related research and development costs are incurred and collectibility is reasonably assured.

Product Sales

The Company recognizes product revenue upon shipment when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed, and determinable and collectibility is reasonably assured. Allowances are established for estimated uncollectible amounts, product returns, and discounts, if any.

Research and Development

The Company expenses research and development costs as incurred. Research and development expenses consist of direct and research-related allocated overhead costs such as facilities costs, salaries and related personnel

(Unaudited, dollars in thousands)

costs and material and supply costs. In addition, research and development expenses include costs related to clinical trials to validate the Company's testing processes and procedures and related overhead expenses.

Comprehensive Income (Loss)

Unrealized gains or losses on the Company's available-for-sale securities are included in other comprehensive income (loss). Comprehensive loss and its components for the three and six months ended June 30, 2002 and 2001 are as follows:

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
Net loss	$ (10,145)	$ (6,648)	$ (16,084)	$ (14,223)
Unrealized gain on securities available-for-sale	-	-	-	-
Comprehensive loss	$ (10,145)	$ (6,648)	$ (16,084)	$ (14,223)

</TABLE>

Net Loss Per Common Share

Basic and diluted net loss per share is based on the weighted average number of common shares outstanding during the period. Common share equivalents were not included because they are antidilutive in all periods presented.

NOTE 2 - BALANCE SHEET COMPONENTS

Inventories

Inventories are stated at the lower of standard cost (which approximates first-in, first-out cost) or market. Inventories, which relate principally to the Company's agreement with Baxter Healthcare Corporation, consist of the following:

	June 30, 2002	December 31, 2001
Raw materials	$ 202	$ 195
Finished goods	1,104	1,104
	$ 1,306	$ 1,299

Accrued Liabilities

Accrued liabilities consist of the following:

	June 30, 2002	December 31, 2001
Accrued payroll expenses	$ 2,291	$ 2,347
Accrued clinical trial expenses	478	445
Accrued legal fees	1,850	505
Other	967	1,125
	$ 5,586	$ 4,422

NOTE 3 - LICENSE AGREEMENT

In February of 2002, XOMA and MorphoSys AG announced cross-licensing agreements for antibody-related technologies. Under the agreements, XOMA will receive license payments from MorphoSys in addition to a license to use the MorphoSys HuCAL(R) GOLD antibody library for its target discovery and research programs. MorphoSys and its partners receive a license to use the XOMA antibody expression technology for developing antibody products using MorphoSys' phage display-based HuCAL(R) antibody library. MorphoSys also receives a license for the production of antibodies under the XOMA patents. Because there are no continuing performance obligations on the part of the Company under the MorphoSys agreement, the fixed and determinable portion of the license fee provided for in that agreement was recognized as revenue in the first quarter of 2002. Under the terms of the agreement, the license fee is to be paid in two installments. The first was due and paid in the first quarter of 2002, and the second more significant portion is due in the fourth quarter of 2002.

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

Results of Operations

Revenues for the three months ended June 30, 2002 decreased to $4.7 million, or 10%, compared to $5.2 million for the same period in 2001. The decrease was primarily due to lower contract revenue from Baxter Healthcare Corporation as a result of a reduced level of contracted services requested by Baxter and was partially offset by higher contract revenue from Onyx Pharmaceuticals, Inc. for development services. Revenues for the six months ended June 30, 2002 increased 72% to $13.9 million compared to $8.1 million for the same period in 2001. This increase was primarily due to increased licensing fees related to our agreement with MorphoSys AG entered into in February 2002 and the amortization into revenue of certain license fees and other payments received in prior periods from Baxter and Onyx.

Research and development expenses for the three months and six months ended June 30, 2002 increased to $10.8 million and $20.7 million, respectively, or 14% and 16%, respectively, from $9.5 million and $17.9 million, respectively, for the comparable periods of 2001. Spending in 2002 reflected increased development costs associated with Raptiva(TM) (Efalizumab, formerly Xanelim(TM)), MLN01, CAB2 and ONYX-015. The increase was partially offset by reduced spending on the Mycoprex and Genimune development programs that were discontinued during 2001.

Our research and development activities can be divided into earlier stage programs, which include molecular biology, process development, pilot-scale production and preclinical testing, and later stage programs, which include clinical testing, regulatory affairs and manufacturing clinical supplies. The cost associated with these programs approximate the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Earlier stage programs	$ 3.9	$ 3.3	$ 7.8	$ 6.3
Later stage programs	6.9	6.2	12.9	11.6
Total	$ 10.8	$ 9.5	$ 20.7	$ 17.9

Our research and development activities can be divided into those related to our internal projects and those related to collaborative arrangements. The cost related to internal projects versus collaborative arrangements approximate the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Internal projects	$ 4.7	$ 5.8	$ 9.9	$ 11.5
Collaborative arrangements	6.1	3.7	10.8	6.4
Total	$ 10.8	$ 9.5	$ 20.7	$ 17.9

For the six months ended June 30, 2002 and 2001 no single project accounted for more than 20% of our total research and development costs.

Marketing, general and administrative expenses for the three months and six months ended June 30, 2002 increased to $3.8 million and $8.7 million, respectively, or 81% and 135%, respectively, from $2.1 million and $3.7 million, re-

spectively, for the comparable periods in 2001. The increases were primarily due to legal expenses related to the litigation against Biosite Incorporated and certain securities-related litigation, to pre-launch marketing expenses for RaptivaTM, and to expenses related to licensing activities.

Investment income for the three months and six months ended June 30, 2002 decreased to $0.2 million and $0.5 million, respectively, or 67% and 50%, respectively, compared to $0.6 million and $1.0 million for the same periods of 2001 due to lower interest rates somewhat offset by higher average cash balances. Interest expense for the three months and six months ended June 30, 2002 decreased 44% and 31%, respectively, to $0.5 million and $1.1 million, respectively, compared to $0.9 million and $1.6 million, respectively, for the same periods of 2001. This decrease reflected lower interest rates on a higher average outstanding balance of the convertible subordinated notes due to Genentech, Inc. and Millennium Pharmaceuticals, Inc.

Liquidity and Capital Resources

XOMA had $49.5 million in cash, cash equivalents and short-term investments at June 30, 2002 compared to $67.6 million at December 31, 2001. Working capital (current assets minus current liabilities) at June 30, 2002 decreased to $38.4 million from $52.6 million at December 31, 2001. These decreases were primarily due to net operating losses and capital expenditures for facility expansions.

Net cash used in operations for the six months ended June 30, 2002 was $17.4 million, compared with $11.5 million for the same period of 2001. This increase primarily reflected higher expenses for research and development and legal fees.

Capital expenditures increased to $5.9 million for the six months ended June 30, 2002 from $3.7 million for the same period of 2001. Current year spending included expenses related to the renovation and expansion of our manufacturing facilities.

Net cash provided by financing activities decreased to $5.0 million for the six months ended June 30, 2002 from $51.8 million for the same period of 2001. The prior year period included net proceeds of $43.3 million from a common share equity financing completed in June 2001. In addition, for the six months ended June 30, 2002, the Company received $4.0 million of debt financing from Genentech for the Company's share of RaptivaTM development costs compared to $3.5 million for the same period of 2001. Proceeds received from capital leases were $1.0 million for the six months ended June 30, 2002 compared to $0.7 million for the same period in 2001.

For the full year 2002, the Company currently expects its net loss to be somewhat higher than in 2001, due to increased expenses on RaptivaTM and on the Millennium collaboration, and the further expansion of the Company's development infrastructure.

Based on current spending levels, currently anticipated revenues, and debt financing provided by Genentech for XOMA's share of RaptivaTM development costs, the Company estimates it has sufficient cash resources to meet its operating needs through at least the middle of 2004. Any significant revenue shortfalls, or increases in planned spending on internal programs could shorten this period. Any licensing arrangements or collaborations, or favorable market conditions supporting taking advantage of financing commitments from Millennium under the collaborative agreement between the companies, or otherwise entering into new equity or other financing arrangements, could extend this period. Genentech and XOMA announced in early April 2002 that a pharmacokinetic study comparing XOMA-produced material and Genentech-produced material did not achieve a pre-defined statistical definition for comparability. The treatment phase of an additional 500 patient Phase III efficacy study testing Genentech material has now been completed. Genentech has announced that pending data from this additional efficacy study and discussions with the FDA, it anticipates filing a Biologics License Application (BLA) for RaptivaTM in psoriasis by end of 2002.

The timeliness of this submission, subsequent review by the FDA and progress or setbacks by potentially competing products may have an adverse affect on the Company's ability to raise new funding on

acceptable terms. A further discussion of the risks related to our business and their effects on our cash flow and ability to raise new funding on acceptable terms is set forth below under the heading "Forward-Looking Statements And Cautionary Factors That May Affect Future Results".

Forward-Looking Statements And Cautionary Factors That May Affect Future Results

Certain statements contained herein related to the relative size of the Company's loss for 2002, the estimated levels of its expenses and revenues for the balance of 2002, the sufficiency of its cash resources and the BLA filing time frame, as well as other statements related to the progress and timing of product development and present or future licensing or collaborative arrangements, or that otherwise relate to future periods, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are based on assumptions that may not prove accurate. Actual results could differ materially from those anticipated due to certain risks inherent in the biotechnology industry and for companies engaged in the development of new products in a regulated market. Among other things, the actual loss for 2002 could be higher depending on the size and timing of expenditures and whether there are unanticipated expenditures; the sufficiency of cash resources could be shortened if expenditures are made earlier or in larger amounts than anticipated or are unanticipated or if funds are not available; and the BLA filing could be delayed by unexpected safety or efficiency issues or additional time requirements for data analysis, BLA preparation, discussions with the FDA, enrollment in clinical studies, additional clinical studies or manufacturing process modifications. These and other risks, including those related to changes in the status of the existing collaborative relationships, availability of additional licensing or collaboration opportunities, the timing or results of pending and future clinical trials, the ability of collaborators and other partners to meet their obligations, market demand for products, actions by the Food and Drug Administration or the U.S. Patent and Trademark Office, uncertainties regarding the status of biotechnology patents, uncertainties as to the costs of protecting intellectual property and risks associated with counterclaims against XOMA are described in more detail in the remainder of this section.

None Of Our Pharmaceutical Products Have Received Regulatory Approval; If Our Products Do Not Receive Regulatory Approval, Neither We Nor Our Third Party Collaborators Will Be Able To Manufacture And Market Them

Even our most developed pharmaceutical product has yet to complete final clinical testing. We will be unable to manufacture and market our products without required regulatory approvals in the United States and other countries. The United States government and governments of other countries extensively regulate many aspects of our products, including:

- testing
- manufacturing
- promotion and marketing and
- exporting.

In the United States, the Food and Drug Administration regulates pharmaceutical products under the Federal Food, Drug, and Cosmetic Act and other laws, including, in the case of biologics, the Public Health Service Act. At the present time, we believe that our products will be regulated by the FDA as biologics. State regulations may also affect our proposed products.

The FDA has substantial discretion in both the product approval process and manufacturing facility approval process and, as a result of this discretion and uncertainties about outcomes of testing, we cannot predict at what point, or whether, the FDA will be satisfied with our submissions or whether the FDA will raise questions which may be material and delay or preclude product approval or manufacturing facility approval. As we accumulate additional clinical data, we will submit it to the FDA, which may have a material impact on the FDA product approval process.

Our potential products will require significant additional research and development, extensive preclinical studies and clinical trials and regulatory approval prior to any commercial sales. This process is lengthy, often taking a number of years, and expensive. As clinical results are frequently susceptible to varying interpretations that may delay, limit or prevent regulatory approvals, the length of time necessary to complete clinical trials and to submit an application for marketing approval for a final decision by a regulatory authority varies significantly. As a result, it is uncertain whether:

- our future filings will be delayed
- our studies will be successful
- we will be able to provided necessary additional data
- our future results will justify further development or
- we will ultimately achieve regulatory approval for any of these products.

For example,

- In 1996, we and Genentech began developing Raptiva(TM) (Efalizumab, formerly Xanelim (TM)), in patients with moderate-to-severe psoriasis. In April of 2002, we and Genentech announced that a pharmacokinetic study conducted on Raptiva(TM)comparing XOMA-produced material and Genentech-produced material did not achieve the pre-defined statistical definition of comparability, delaying the filing of a Biologics Licensing Application with the FDA for Raptiva(TM)beyond the previously-planned time frame of summer 2002. Because this additional study was not successful, we do not know when or whether this filing will be made. Genentech plans to submit data from an additional ongoing efficacy study using Genentech-produced material to the FDA and, contingent upon successful discussions with the FDA, expects to be able to submit data from this efficacy study before the end of 2002. We are also conducting a Phase I/II study of Raptiva(TM)in kidney transplant recipients. Because no final decisions have been made, we do not know whether there will be follow-on studies, and if there are such follow-on studies we do not know whether any such studies will be sufficient for regulatory approval. We have also announced the initiation of enrollment in a Phase II clinical study of Raptiva(TM)in patients suffering from rheumatoid arthritis. We do not know whether any such testing will demonstrate product safety and efficacy in this patient population or result in regulatory approval.
- In December of 1992, we began human testing of our NEUPREX(R)product, a genetically-engineered fragment of a particular human protein, and have licensed certain worldwide rights to Baxter. In April of 2000, members of the FDA and representatives of XOMA and Baxter discussed results from the Phase III trial that tested NEUPREX(R)in pediatric patients with a potentially deadly bacterial infection principally of children called meningococcemia, and senior representatives of the FDA indicated that the data presented were not sufficient to support the filing of an application for marketing approval at that time. Because we have not generated any additional data or completed any further analysis, we do not know whether we will be able to supply such additional data. If we conduct an additional trial to provide the requested additional data, we will not know whether the results will be adequate for approval until the trial has been completed and the resulting data reviewed by the FDA. In September of 1999, we discontinued patient enrollment in our Phase III clinical trial testing NEUPREX(R)in trauma patients with severe blood loss because an independent data safety monitoring board told us that interim results from the trial did not support continuing the trial. Baxter has initiated a Phase II study with NEUPREX(R)in Crohn's disease patients. Because this study has not been completed and we do not know the results, we do not know whether the results will support product approval or justify further development.

Given that regulatory review is an interactive and continuous process, we maintain a policy of limiting announcements and comments upon the specific details of the ongoing regulatory review of our products, subject to our obligations under the securities laws, until definitive action is taken.

Because All Of Our Products Are Still In Development, We Will Require Substantial Funds To Continue; We Cannot Be Certain That Funds Will Be Available And, If Not Available, We May Have To Take Actions Which Could Adversely Affect Your Investment

If adequate funds are not available, we may have to dilute or otherwise adversely affect the rights of existing shareholders, curtail or cease operations or, in extreme circumstances, file for bankruptcy protection. We have spent, and we expect to continue to spend, substantial funds in connection with:

- research and development relating to our products and production technologies
- expansion of our production capabilities
- extensive human clinical trials and

- protection of our intellectual property.

Based on current spending levels and third party funding, we believe that we have enough cash to meet our currently anticipated needs for operating expenses, working capital, equipment acquisitions and current research projects through at least the middle of 2004. However, to the extent we experience changes in the timing or size of expenditures or unanticipated expenditures, or if our collaborators do not meet their obligations to us, these funds may not be adequate for this period. As a result, we do not know whether:

- operations will generate meaningful funds
- additional agreements for product development funding can be reached
- strategic alliances can be negotiated or
- adequate additional financing will be available for us to finance our own development on acceptable terms, if at all.

Cash balances and operating cash flow are influenced primarily by the timing and level of payments by our licensees and development partners, as well as by our operating costs.

Because All Of Our Products Are Still In Development, We Have Sustained Losses In The Past And We Expect To Sustain Losses In The Future

We have experienced significant losses and, as of December 31, 2001, we had an accumulated deficit of approximately U.S.$507.6 million.

For the year ended December 31, 2001 and the six months ended June 30, 2002, we had a net loss of approximately U.S.$28.0 million, or U.S.$0.41 per common share (basic and diluted) and U.S.$16.1 million, or U.S.$.23 per common share (basic and diluted), respectively. We expect to incur additional losses in the future. Our ability to make profits is dependent in large part on obtaining regulatory approval for our products and entering into agreements for product development and commercialization, both of which are uncertain. Our ability to fund our ongoing operations is dependent on the foregoing factors and on our ability to secure additional funds. Because all of our products are still in development, we do not know whether we will ever make a profit or whether cash flow from future operations will be sufficient to meet our needs.

If Third Party Collaborators Do Not Successfully Develop and Market Our Products, We May Not Be Able To Do So On Our Own

Our financial resources and our marketing experience and expertise are limited. Consequently, we depend to a large extent upon securing the financial resources and marketing capabilities of third parties with whom we collaborate.

- In April of 1996, XOMA and Genentech entered into an agreement whereby XOMA agreed to co-develop Genentech's humanized monoclonal antibody product Raptiva(TM). In April of 1999, the companies extended and expanded the agreement.
- In January of 2000, we licensed the worldwide rights to all pharmaceutical compositions containing a particular human protein for treatment of meningococcemia and additional potential future human clinical indications to Baxter.
- In January of 2001, we entered into a strategic process development and manufacturing alliance with Onyx Pharmaceuticals, Inc. pursuant to which we are scaling up production to commercial volume and will manufacture one of Onyx's cancer products.
- In November of 2001, we entered into a collaboration with Millennium Pharmaceuticals, Inc. to develop two of Millennium's products for certain vascular inflammation indications.

Because our collaborators are independent third parties, they may be subject to different risks than we are and have significant discretion in determining the efforts and resources they will apply, we do not know whether Genentech, Baxter, Onyx or Millennium will successfully develop or market any of the products we are collaborating on.

Even when we have a collaboration relationship, other circumstances may prevent it from resulting in successful development of marketable products. For example, in June of 1999, we licensed certain genetically-engineered fragments of a particular human protein to Allergan Inc. to treat bacterial ophthalmic infections. In May of 2000, following successful product testing at Allergan, we expanded the collaboration. In November of 2000, Allergan advised us that for internal economic reasons they planned to discontinue development of ophthalmic

anti-infective products derived from this protein.

Although we continue to evaluate additional strategic alliances and potential partnerships, we do not know whether or when any such alliances or partnerships will be entered into.

If Any Of Our Products Receives Regulatory Approval, We May Not Be Able To Increase Existing Or Acquire New Manufacturing Capacity Sufficient To Meet Market Demand

Because we have never commercially introduced any pharmaceutical products and none of our products have received regulatory approval, we do not know whether the capacity of our existing manufacturing facilities can be increased to produce sufficient quantities of our products to meet market demand. Also, if we need additional manufacturing facilities to meet market demand, we cannot predict that we will successfully obtain those facilities because we do not know whether they will be available on acceptable terms. In addition, any manufacturing facilities acquired or used to meet market demand must meet the FDA's quality assurance guidelines.

Because We Do Not And Cannot Currently Market Any Of Our Products For Commercial Sale, We Do Not Know Whether There Will Be A Viable Market For Our Products

Even if we receive regulatory approval for our products and we or our third party collaborators successfully manufacture them, our products may not be accepted in the marketplace. For example, physicians and/or patients may not accept a product for a particular indication because it has been biologically derived (and not discovered and developed by more traditional means) if no biologically-derived products are currently in widespread use in that indication, as is currently the case with psoriasis. Consequently, we do not know if physicians or patients will adopt or use our products for their approved indications.

If Our Patent Protection For Our Principal Products And Processes Is Not Enforceable, We Will Not Realize Our Profit Potential

Because of the length of time and the expense associated with bringing new products to the marketplace, we hold and are in the process of applying for a number of patents in the United States and abroad to protect our products and important processes and also have obtained or have the right to obtain exclusive licenses to certain patents and applications filed by others. However, the patent position of biotechnology companies generally is highly uncertain and involves complex legal and factual questions, and no consistent policy regarding the breadth of allowed claims has emerged from the actions of the U.S. Patent and Trademark Office with respect to biotechnology patents. Legal considerations surrounding the validity of biotechnology patents continue to be in transition, and historical legal standards surrounding questions of validity may not continue to be applied, and current defenses as to issued biotechnology patents may not in fact be considered substantial in the future. These factors have contributed to uncertainty as to:

- the degree and range of protection any patents will afford against competitors with similar technologies
- if and when patents will issue
- whether or not others will obtain patents claiming aspects similar to those covered by our patent applications or
- the extent to which we will be successful in avoiding infringement of any patents granted to others.

The Patent Office has issued 60 patents to us related to our products based on human bactericidal permeability-increasing protein, which we call BPI, including novel compositions, their manufacture, formulation, assay and use. In addition, we are the exclusive licensee of BPI-related patents and applications owned by New York University and Incyte Pharmaceuticals Inc. The Patent Office has also issued and/or allowed nine patents to us related to our bacterial expression technology.

If certain patents issued to others are upheld or if certain patent applications filed by others issue and are upheld, we may require licenses from others in order to develop and commercialize certain potential products incorporating our technology or we may become involved in litigation to determine the proprietary rights of others. These licenses, if required, may not be available on acceptable terms, and any such litigation may be costly and may have other adverse effects on our business, such as inhibiting our ability to compete in the market place and absorbing significant management time.

Due to the uncertainties regarding biotechnology patents, we also have relied and will continue to rely upon trade secrets, know-how and continuing

technological advancement to develop and maintain our competitive position. All of our employees have signed confidentiality agreements under which they have agreed not to use or disclose any of our proprietary information. Research and development contracts and relationships between us and our scientific consultants and potential customers provide access to aspects of our know-how that are protected generally under confidentiality agreements. These confidentiality agreements may not be honored or may not be enforced by a court. To the extent proprietary information is divulged to competitors or to the public generally, such disclosure may adversely effect our ability to develop or commercialize our products by giving others a competitive advantage or by undermining our patent position.

Protecting Our Intellectual Property Can Be Costly And Exposes Us To Risks Of Counterclaims Against Us

We may be required to engage in litigation or other proceedings to protect our intellectual property. For example, we are currently engaged in litigation with Biosite Incorporated regarding certain license agreements and patents relating to our expression technology. Our amended complaint seeks unspecified monetary damages, injunctive and other relief for infringement of our expression technology patents, fraud and misrepresentation, breach of contract, misappro-

priation and unfair business practices. Biosite has made counterclaims for unspecified damages for breach of contract, breach of covenant of good faith and fair dealing, intentional interference with contracts and with prospective economic advantage, unfair business practices, violation of the Lanham Act and injunctive and declaratory relief. Biosite has also asserted, among other defenses, that the patents at issue are invalid. In February of 2002, Biosite announced that it has begun implementing an antibody expression technology intended to allow it to operate its business without using our patents and that it is launching a licensing program. In June of 2002, we amended and supplemented our complaint alleging that Biosite's recently announced antibody expression technology continues to willfully infringe our patents and that Biosite's statements regarding it are false and misleading.

The cost to us of this and other patent litigation, even if resolved in our favor, could be substantial. Such litigation could also divert management's attention and resources. In addition, if this or other patent litigation is resolved against us, our patents may be declared invalid, and we could be held liable for significant damages. In addition, if the litigation included a claim of infringement by us of another party's patent that was resolved against us, we or our collaborators may be enjoined from developing, manufacturing, selling or importing products, processes or services without a license from the other party.

Other Companies May Render Some Or All Of Our Products Noncompetitive Or Obsolete

Developments by others may render our products or technologies obsolete or uncompetitive. Technologies developed and utilized by the biotechnology and pharmaceutical industries are continuously and substantially changing. Competition in the areas of genetically-engineered DNA-based and antibody-based technologies is intense and expected to increase in the future as a number of established biotechnology firms and large chemical and pharmaceutical companies advance in these fields. Many of these competitors may be able to develop products and processes competitive with or superior to our own for many reasons, including that they may have:

- significantly greater financial resources
- larger research and development and marketing staffs
- larger production facilities
- entered into arrangements with, or acquired, biotechnology companies to enhance their capabilities or
- extensive experience in preclinical testing and human clinical trials.

These factors may enable others to develop products and processes competitive with or superior to our own. In addition, a significant amount of research in biotechnology is being carried out in universities and other non-profit research organizations. These entities are becoming increasingly interested in the commercial value of their work and may become more aggressive in seeking patent protection and licensing arrangements.

Without limiting the foregoing, we are aware that:

- Biogen Inc. has announced that its Amevive(R) product achieved positive results in two Phase III clinical trials in patients with

moderate-to-severe plaque psoriasis, that the FDA and the EMEA have officially accepted Biogen's filings for approval of Amevive(R) in psoriasis and that a FDA advisory panel voted to recommend approval of Amevive(R) for the treatment of moderate-to-severe chronic plaque psoriasis;

- Centocor Inc., a unit of Johnson & Johnson, has tested its rheumatoid arthritis and Crohn's disease drug in psoriasis, and it has been announced that the drug has shown clinical benefit,

- it has been announced that Immunex Corp. (recently acquired by Amgen Inc.) has tested its rheumatoid arthritis and psoriatic arthritis drug in psoriasis with positive results;

- MedImmune, Inc. has completed enrollment in three Phase II trials to evaluate its anti-T cell monoclonal antibody in psoriasis; and

- other companies, including Medarex, Inc., are developing monoclonal antibody or other products for treatment of inflammatory skin disorders.

Currently, there are several companies with marketed biologics that are approved for treating patients with rheumatoid arthritis:

- Immunex Corp. markets Enbrel,

- Amgen Inc. gained FDA approval for Kineret and

- Centocor Inc. is approved to market Remicade to rheumatoid arthritis patients.

In addition to approved products, a number of companies are developing drugs with a biologic mechanism of action for the treatment of rheumatoid arthritis. These companies include Cambridge Antibody Technology Group plc, Biogen Inc., Celltech Group plc and others.

A number of companies are developing monoclonal antibodies targeting cancers, which may prove more effective than ONYX-015 or the ING-1 antibody.

It is possible that one or more other companies may be developing one or more products based on the same human protein as our NEUPREX(R) product, and these product(s) may prove to be more effective than NEUPREX(R) or receive regulatory approval prior to NEUPREX(R) or any BPI-derived ophthalmic product developed by XOMA.

If We Do Business Internationally, We Will Be Subject To Additional Political, Economic and Regulatory Uncertainties

We may not be able to successfully operate in any foreign market. We believe that, because the pharmaceutical industry is global in nature, international activities will be a significant part of our future business activities and that, when and if we are able to generate income, a substantial portion of that income will be derived from product sales and other activities outside the United States. Foreign regulatory agencies often establish standards different from those in the United States, and an inability to obtain foreign regulatory approvals on a timely basis could put us at a competitive disadvantage or make it uneconomical to proceed with a product's development. International operations may be limited or disrupted by:

- imposition of government controls

- export license requirements

- political or economic instability

- trade restrictions

- changes in tariffs

- restrictions on repatriating profits

- taxation and

- difficulties in staffing and managing international operations.

Also, our financial results could be significantly affected by factors such as fluctuations in currency exchange rates or weak economic conditions in the

foreign markets in which we or our collaborators seek to operate.

Because We Are A Relatively Small Biopharmaceutical Company With Limited Resources, We May Not Be Able To Attract And Retain Qualified Personnel, And The Loss Of Key Personnel Could Delay Or Prevent Achieving Our Objectives

Our success in developing marketable products and achieving a competitive position will depend, in part, on our ability to attract and retain qualified scientific and management personnel, particularly in areas requiring specific technical, scientific or medical expertise. There is intense competition for such personnel. Our research, product development and business efforts would be adversely affected by the loss of one or more of key members of our scientific or management staff, particularly our executive officers: John L. Castello, our Chairman of the Board, President and Chief Executive Officer; Patrick J. Scannon, M.D., Ph.D., our Chief Scientific and Medical Officer and Senior Vice President; Clarence L. Dellio, our Senior Vice President, Operations; Peter B. Davis, our Vice President, Finance and Chief Financial Officer; and Christopher J. Margolin, our Vice President, General Counsel and Secretary. We have employment agreements with Mr. Castello, Dr. Scannon and Mr. Davis. We currently have no key person insurance on any of our employees.

Because We Engage In Human Testing, We Are Exposed To An Increased Risk Of Product Liability Claims

The testing and marketing of medical products entails an inherent risk of allegations of product liability. We believe that we currently have adequate levels of insurance for our clinical trials; however, in the event of one or more large, unforeseen awards, such levels may not provide adequate coverage. We will seek to obtain additional insurance, if needed, if and when our products are commercialized; however, because we do not know when this will occur, we do not know whether adequate insurance coverage will be available or be available at acceptable costs. A significant product liability claim for which we were not covered by insurance would have to be paid from cash or other assets. To the extent we have sufficient insurance coverage, such a claim would result in higher subsequent insurance rates.

If You Were To Obtain A Judgment Against Us, It May Be Difficult To Enforce Against Us Because We Are A Foreign Entity

We are a Bermuda company. All or a substantial portion of our assets may be located outside the United States. As a result, it may be difficult for shareholders and others to enforce in United States courts judgments obtained against us. We have irrevocably agreed that we may be served with process with respect to actions based on offers and sales of securities made hereby in the United States by serving Christopher J. Margolin, c/o XOMA Ltd., 2910 Seventh Street, Berkeley, California 94710, our United States agent appointed for that purpose. We have been advised by our Bermuda counsel, Conyers Dill & Pearman, that there is doubt as to whether Bermuda courts would enforce judgments of United States courts obtained in (1) actions against XOMA or our directors and officers that are predicated upon the civil liability provisions of the U.S. securities laws or (2) original actions brought in Bermuda against XOMA or such persons predicated upon the U.S. securities laws. There is no treaty in effect between the United States and Bermuda providing for such enforcement, and there are grounds upon which Bermuda courts may not enforce judgments of United States courts. Certain remedies available under the United States federal securities laws may not be allowed in Bermuda courts as contrary to that nation's policy.

Our Shareholder Rights Agreement Or Bye-laws May Prevent Transactions That Could Be Beneficial To Our Shareholders And May Insulate Our Management From Removal

Our shareholder rights agreement could make it considerably more difficult or costly for a person or group to acquire control of XOMA in a transaction that our board of directors opposes.

Our bye-laws:

- require certain procedures to be followed and time periods to be met for any shareholder to propose matters to be considered at annual meetings of shareholders, including nominating directors for election at those meetings;

- authorize our board of directors to issue up to 1,000,000 preference shares without shareholder approval and to set the rights, preferences and other designations, including voting rights, of those shares as the board of directors may determine; and

- contain provisions, similar to those contained in the Delaware General Corporation Law, that may make business combinations with interested shareholders more difficult.

These provisions of our shareholders rights agreement and our bye-laws, alone or

in combination with each other, may discourage transactions involving actual or potential changes of control, including transactions that otherwise could involve payment of a premium over prevailing market prices to holders of common shares, could limit the ability of shareholders to approve transactions that they may deem to be in their best interests and could make it considerably more difficult for a potential acquiror to replace management.

Because We Have No History Of Profitability And Because The Biotechnology Sector Has Been Characterized By Highly Volatile Stock Prices, Announcements We Make And General Market Conditions For Biotechnology Stocks Could Result In A Sudden Change In The Value Of Our Common Shares

As a biopharmaceutical company, we have experienced significant volatility in our common shares. Fluctuations in our operating results and general market conditions for biotechnology stocks could have a significant impact on the volatility of our common share price. From June 30, 2001 through June 30, 2002, our share price has ranged from a high of U.S.$17.09 to a low of U.S$3.00. On August 12, 2002 the last reported sale price of the common shares as reported on the Nasdaq National Market was U.S$4.80 per share. Factors contributing to such volatility include:

- results of preclinical studies and clinical trials,
- information relating to the safety or efficacy of our products,
- developments regarding regulatory filings,
- announcements of new collaborations,
- failure to enter into collaborations,
- developments in existing collaborations,
- our funding requirements and the terms of our financing arrangements,
- announcements of technological innovations or new indications for our therapeutic products,
- government regulations,
- developments in patent or other proprietary rights,
- the number of shares outstanding,
- the number of shares trading on an average trading day,

- announcements regarding other participants in the biotechnology and pharmaceutical industries, and
- market speculation regarding any of the foregoing.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk. The Company's exposure to market rate risk due to changes in interest rates relates primarily to the Company's investment portfolio. The Company does not use derivative financial instruments in its investment portfolio. By policy, the Company places its investments with high quality debt security issuers, limits the amount of credit exposure to any one issuer, limits duration by restricting the term and holds investments to maturity except under rare circumstances. The Company classifies its cash equivalents as fixed rate if the rate of return on an instrument remains fixed over its term. As of June 30, 2002 all the Company's cash equivalents are classified as fixed rate.

The Company also has a long-term convertible note due to Genentech in 2005. Interest on this note of LIBOR plus 1% is reset at the end of June and December each year and is therefore variable.

The table below presents the amounts and related weighted interest rates of the Company's cash equivalents and long-term convertible note at June 30, 2002:

<TABLE>
<CAPTION>

	Maturity	Fair Value (in thousands)	Average Interest Rate
<S>		<C>	<C>
Cash equivalents, fixed rate	Daily	$ 49,148	1.9 %
Long-term convertible note, variable rate	2005	$ 57,029	3.0 %

</TABLE>

Other Market Risk. At June 30, 2002 the Company had a long-term convertible note outstanding which is convertible into common shares based on the market price of the Company's common shares at the time of conversion. A 10% decrease in the market price of the Company's common shares would increase the number of shares issuable upon conversion of either security by approximately 11%. An increase in the market price of Company common shares of 10% would decrease the shares issuable by approximately 9%.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

On June 3, 2002, XOMA announced that it filed an amended and supplemental complaint in its ongoing litigation against Biosite Incorporated alleging that Biosite's recently announced "new" antibody expression technology continues willfully to infringe XOMA's patents and that Biosite's statements regarding it are false and misleading. XOMA's complaint specifically alleges that Biosite's highly publicized BNP products were made in a manner that infringed XOMA's technology, Biosite wrongfully used and relied upon XOMA's patents in developing its announced "new" technology, Biosite's use of its "new" technology has induced others to infringe or contributed to the infringement by others of XOMA's patents, the public statements made by and on behalf of Biosite about its "new" technology are materially false and misleading and likely to deceive the public and Biosite continues, wrongfully, to hold itself out as licensed by XOMA.

On June 14, 2002, the parties executed a settlement agreement in the action that had been filed in the California Superior Court in San Diego County against XOMA, Genentech and certain unidentified "John Doe" defendants, and which had incorporated many of the allegations that were made in the federal class action lawsuits that were voluntarily dismissed without prejudice in March, 2002. Pursuant to the June 14, 2002 agreement, the plaintiff voluntarily dismissed the California state court action with prejudice on June 26, 2002.

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

The Company continues to use the net proceeds from its June 2001 registered offering of common shares for general corporate purposes, including leasehold improvements, equipment acquisitions, current research and development projects, the development of new products or technologies, general working capital and operating expenses. Pending application of the net proceeds as described above, the Company has invested the remaining net proceeds of the offering in short-term, investment-grade, interest-bearing securities.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On May 29, 2002, the Company held its annual general meeting of shareholders. The following persons (the only nominees) were elected as the Company's directors, having received the indicated votes:

Name	Votes For	Votes Withheld
James G. Andress	55,927,808	2,178,067
William K. Bowes, Jr.	56,396,774	1,709,101
John L. Castello	56,403,041	1,702,834
Arthur Kornberg, M.D.	56,388,275	1,717,600
Steven C. Mendell	55,960,285	2,145,590
Patrick J. Scannon, M.D., Ph.D.	56,413,816	1,692,059
W. Denman Van Ness	55,948,096	2,157,779

The appointment of Ernst & Young LLP to act as the Company's independent auditors for the 2002 fiscal year was ratified and the authorization of the Board to agree to such auditors' fee was approved, having received 56,277,871 votes for, 1,709,040 votes against, 118,964 absten-

tions and no broker non-votes.

In addition, the amendment to the Company's 1998 Employee Share Purchase Plan to increase the number of shares issuable over the term

of the plan by 1,000,000 shares to 1,500,000 shares in the aggregate was approved, having received 55,952,680 votes for, 1,914,464 votes against, 238,731 abstentions and no broker non-votes.

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS & REPORTS ON FORM 8-K

a) Exhibits:

None

b) Reports on Form 8-K:

None

XOMA Ltd.

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, thereunto duly authorized.

XOMA Ltd.

Date: August 14, 2002 By: /s/ JOHN L. CASTELLO

John L. Castello
Chairman of the Board, President and Chief Executive Officer

Date: August 14, 2002 By: /s/ PETER B. DAVIS

Peter B. Davis
Vice President, Finance and Chief Financial Officer

Certification Accompanying Periodic Report

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(18 U.S.Css.1350)

Each of the undersigned officers of XOMA Ltd. (the "Company") hereby certify that (1) the Quarterly Report of the Company on Form 10-Q for the period ended June 30, 2002 (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 the results of operations of the Company.

XOMA Ltd.

Date: August 14, 2002 By: /s/ JOHN L. CASTELLO

John L. Castello
Chairman of the Board, President and Chief Executive Officer

Date: August 14, 2002 By: /s/ PETER B. DAVIS

Peter B. Davis
Vice President, Finance and Chief Financial Officer