



**Bontan Corporation Inc.**

**46,472,500 Shares of Common Stock**

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This prospectus supplement updates and supplements the prospectus dated July 11, 2011, relating to the resale of up to 46,472,500 shares of our common stock by certain selling stockholders.

This prospectus supplement contains our report on Form 6-K, which was filed with the U.S. Securities and Exchange Commission on August 2, 2011.

You should read this prospectus supplement in conjunction with the prospectus dated July 11, 2011, which is to be delivered with this prospectus supplement. This prospectus supplement is qualified by reference to the prospectus except to the extent the information in this prospectus supplement supersedes the information contained in the prospectus.

Our common stock is quoted on the Over-the-Counter (OTC) Bulletin Board under the symbol "BNTNF." The high and low bid prices for our common stock on the OTC Bulletin Board on August 1, 2011 were US\$0.0898 and US\$0.0826 per share respectively. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions, and may not represent actual transactions.

**Investing in our common shares involves a high degree of risk. See "Risk Factors" beginning on page 9 of the prospectus.**

**Neither the SEC nor any state securities commission has approved or disapproved these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

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**Prospectus Supplement dated August 2, 2011**

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

**Form 6-K**

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT  
TO RULE 13a-16 OR 15d-16 UNDER THE  
SECURITIES EXCHANGE ACT OF 1934

For the month of August 2011

Commission File Number 0-30314

**BONTAN CORPORATION INC.**

(Translation of registrant's name into English)

47 Avenue Road, Suite 200, Toronto, Ontario, Canada M5R 2G3  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.  
Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.  
Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):  
82- \_\_\_\_\_.

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### **Bontan Provides Update on Israeli Court Decision**

As previously reported, on July 5, 2011, we filed another application seeking a temporary injunction against the planned transaction involving the contribution of IPC Cayman's interest in the Sara and Myra licenses to Shaldieli Ltd., an Israeli public shell company, in exchange for 90% of the equity ownership of Shaldieli Ltd. In the alternative, we sought a new injunction against the payment from funds to be raised by Shaldieli Ltd. of US\$4 million with respect to IPC Cayman's alleged costs, including a proposed US\$2 million payment to ITC, a company owned and controlled by Mr. Howard Cooper.

The hearing on our renewed application took place on July 25, 2011. The Court did not grant a temporary injunction against consummation of the Shaldieli Ltd transaction. However, with respect to the proposed payment to ITC or Cooper in an amount of US\$4 million out of Shaldieli Ltd's future fund raising, the Court ruled that no distribution is permitted until either Bontan agrees or the Court so orders. In any case, the Court ruled that Bontan may object to any proposed distribution to ITC or Cooper within 30 days of being notified of an intention to do so.

The Court also ruled that Bontan is entitled to audit the financial books and records of IPC Cayman including the details of the US\$4 million claimed by ITC as owed to it by IPC Cayman.

### **Additional Information About the Offshore Israel Project**

The rights in the Licenses for the Offshore Israel Project are held by a group consisting of IPC Israel, Emanuelle Energy Ltd, Modiin Energy Limited Partnership, Emanuelle Energy Oil and Gas Limited Partnership and other entities including the operator, GeoGlobal Resources (India) Inc.

Bontan's share of the Working Interest in the Licenses is 5.23% through the holding of 50% equity in IPC Israel by Bontan's majority-owned subsidiary, IPC Cayman.

### **About Bontan Corporation Inc.**

Bontan Corporation Inc. is an oil and gas exploration company that operates and invests in exploration prospects. Through its subsidiaries, Bontan seeks highly visible opportunities in countries around the globe with a history of natural resource production that offer exciting and attractive propositions. Bontan seeks to minimize risk by bringing in either joint venture, carried or working interest partners, depending on the size and scale of the project.

For further information, contact Kam Shah, Chief Executive Officer of Bontan, at (416) 929-1806.

### **Forward-Looking Statements**

This news release includes forward-looking statements within the meaning of the U.S. federal and Canadian securities laws. Any such statements reflect Bontan's current views and assumptions about future events and financial performance. Bontan cannot assure that future events or performance will occur. Important risks and factors that could cause actual results or events to differ materially from those indicated in our forward-looking statements, include, but are not limited to: the effect of economic and political developments in Israel and in the Mideast; the reliance on the working interest owners, as well as third-party consultants and contractors, to develop the Offshore Israel Project; the ability of IPC Cayman to raise sufficient capital to demonstrate to the Israeli Ministry of Natural Infrastructures adequate financial capability and to satisfy its obligations for the costs of drilling and development; the risk that the final interpretation of the seismic and other data may show or suggest, or that drilling may ultimately demonstrate, that either or both of the Licenses contain no, or noncommercial amounts of, hydrocarbons; the volatility in commodity prices for crude oil and natural gas; the presence or recoverability of estimated reserves; the potential unreliability or other effects of geological and geophysical analysis and interpretation; exploration and development, drilling and operating risks; competition for development of the Offshore Israel Project; environmental risks; government regulation or other action, including the potential change in tax and royalty provisions under active consideration by the Israeli government; potential disruption from terrorist activities or warfare in the region or at the Offshore Israel Project site; general economic conditions; limited market available in Israel for oil and gas that may be found in commercial quantities; other risks generally associated with the exploration and development of international offshore drilling projects in several thousand feet of water; and other risks identified by the press releases and securities filings of the other working interest owners in Israel and other jurisdictions in which such releases and filings are made. In light of the Israeli Supreme Court's latest decision, Bontan cannot assure that ITC will not proceed to consummate the latest revised Shaldieli transaction in contravention of agreements with Bontan and Bontan's vote against approving or proceeding with the transaction. Bontan's engagement of additional law firms, and further court efforts, including in defense of counterclaims from IPC Cayman and ITC, will entail the expenditure of significant funds and may not successfully protect Bontan's indirect share of the Working Interest in the Offshore Israel Project as Bontan's management intends. Bontan assumes no obligation and expressly disclaims any duty to update the information in this News Release.

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## 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.

Dated: August 2, 2011

BONTAN CORPORATION INC.

/s/ Kam Shah

Kam Shah

Chief Executive Officer

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