

BONTAN CORPORATION INC.
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January 16, 2006

Jill S. Davis
Branch Chief
US Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-7410
USA

By fax sent to Jennifer Goeken – Division of Corporation Finance (also filed on EDGAR)

Dear Jill S. Davis:

RE: BONTAN CORPORATION INC. – Form 20-F for fiscal year ended March 31, 2004 and 2005 amended 20-F for fiscal 2005 and our previous correspondence (file no. 0-30314)

We refer to your letter of December 20, 2005.

We regret the delay in our response since I was outside the country on vacation until January 12, 2006.

We give below our responses to your comments in the same order:

1. Our response letter dated September 9, 2005 has now been filed on January 12, 2006 under the accession no. 0001095435-06-000001.
2. We are confused here. We DID recognize compensation costs for a stock based award over the period in which the related services were rendered. Perhaps the following details will help explain:

	Stock Option	Stock Compensation (in Canadian dollar)	Total
Total fair value-upon issuance	\$5,265,240	\$1,283,611	\$6,548,851
Less: Recognized as expense for fiscal 2005 to the extent services provided	(\$4,120,088)	(\$695,834)	(\$4,815,922)*
Balance related to future services to rendered being deferred	\$1,145,152	\$587,776	\$1,732,929**

* as per consolidated statement of operations

** Deferred stock based compensation on the balance sheet

Please contact the undersigned for any further information in the matter.

Sincerely,

/s/Kam Shah

Kam Shah
Chief Executive and Financial Officer