

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This prospectus supplement (the "**Prospectus Supplement**"), together with the accompanying short form base shelf prospectus dated November 15, 2011 to which it relates, as amended or supplemented (the "**Prospectus**"), and each document incorporated by reference into this Prospectus Supplement and into the Prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. See "Plan of Distribution".

Information has been incorporated by reference in this Prospectus Supplement from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice-President and Corporate Secretary of TransAlta Corporation at Box 1900, Station "M", 110 – 12th Avenue S.W., Calgary, Alberta, Canada, T2P 2M1 (telephone (403) 267-7110) and are also available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") which can be accessed at www.sedar.com.

The securities offered hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws, and may not be offered, sold or delivered in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or except pursuant to exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws in accordance with the Dealer Agreement (as defined herein). This prospectus supplement constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities. See "Plan of Distribution".

PROSPECTUS SUPPLEMENT TO THE SHORT FORM BASE SHELF PROSPECTUS DATED NOVEMBER 15, 2011

New Issue

November 18, 2013



\$400,000,000

Medium Term Notes

TransAlta Corporation ("**TransAlta**" or the "**Corporation**") may from time to time issue medium term note debentures (the "**Notes**") due not less than one year from the date of issue at prices and on terms determined at the time of issue, in an aggregate principal amount up to \$400,000,000 (or the equivalent in other currencies or currency units) during the 25-month period that the Prospectus remains valid. The Notes will be issued under a trust indenture and will be direct unsecured obligations of the Corporation ranking equally and *pari passu*, except as to sinking fund or analogous provisions, with all other unsecured and unsubordinated indebtedness of the Corporation. See "*Description of Notes*".

The specific variable terms of any offering of Notes, including the aggregate principal amount offered, price to the public (at par, discount or a premium), currency, issue and maturity dates, interest rate (either fixed or floating and, if floating, the manner of calculation thereof), interest payment date(s), redemption provisions, if any, proceeds to the Corporation, the dealers' commission and any other terms in connection with the offer and sale of the Notes, will be established at the time of the offering and sale of the Notes and set forth in a pricing supplement or other prospectus supplement which will accompany this Prospectus Supplement and the Prospectus, including any amendment hereto or thereto. The Corporation reserves the right to set forth in a pricing supplement or other prospectus supplement specific terms of the Notes which are not within the options and parameters set forth in this Prospectus Supplement. Notes may be offered in amounts and on such terms and conditions as may be determined from time to time depending upon TransAlta's financing requirements, prevailing market conditions and other factors.

The Notes will either be interest bearing Notes or non-interest bearing Notes issued at par, a discount or a premium. The Notes may be issued in an aggregate principal amount of up to \$400,000,000 (or the equivalent thereof in other currencies based on the applicable exchange rate at the time of the offering of Notes) or, if offered at an original issue discount, such greater amount as shall result in an aggregate offering price of up to \$400,000,000 (or the equivalent thereof in other currencies based on the applicable exchange rate at the time of the offering of Notes). Such amount is subject to reduction as a result of the sale by the Corporation of other securities pursuant to other prospectus supplements to the Prospectus. See "*Description of Notes*".

Unless otherwise specified in the applicable pricing supplement or other prospectus supplement, the Notes will not be listed on any securities exchange. There is no market through which the Notes may be sold and purchasers may not be able to resell the Notes purchased under this Prospectus Supplement. This may affect the pricing of the Notes in the secondary market, the transparency and availability of trading prices, the liquidity of the Notes and the extent of issuer regulation. See "Risk Factors".

RATES ON APPLICATION

The Notes will be offered severally by RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., HSBC Securities (Canada) Inc., Merrill Lynch Canada Inc., National Bank Financial Inc., Scotia Capital Inc. and TD Securities Inc. (collectively, the "**Dealers**"), acting as agents of the Corporation in Canada, pursuant to the dealer agreement referred to under the heading "*Plan of Distribution*". The Corporation will pay to each Dealer through whom any Note is sold a commission in an amount to be determined from time to time. The Notes may also be purchased from time to time by any of the Dealers as principal, at such prices and with such commissions as may be agreed between the Corporation and any such Dealers, for resale to the public at prices to be negotiated with each purchaser, which prices may vary during the distribution period and as between purchasers. Each Dealer's compensation will be increased or decreased by the amount by which the aggregate price paid for Notes by purchasers exceeds or is less than the aggregate price paid by the Dealer, acting as principal, to the Corporation. The Corporation may also offer the Notes directly to purchasers pursuant to applicable statutory exemptions or discretionary exemptions in which case no commissions will be paid to the Dealers.

Under applicable securities legislation in certain provinces of Canada, the Corporation may be considered to be a connected issuer of each of the Dealers, as each is a directly or indirectly wholly-owned or majority owned subsidiary, or an affiliate of, a Canadian chartered bank or a financial institution which has extended credit facilities to the Corporation upon which the Corporation may draw from time to time. See "*Relationship Between TransAlta and the Dealers*".

The earnings coverage ratio on long term debt for the 12 month period ended December 31, 2012 is less than one-to-one and, since TransAlta had a loss for such period, the coverage ratio is negative. See "Earnings Coverage Ratios".

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**U.S. Securities Act**") or any state securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, unless the Notes are registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration requirements is available. The Dealers and any other dealers who participate in the distribution agree or will agree not to sell or offer to sell or to solicit any offer to buy any Note within the United States or to, or for the account or benefit of, a U.S. person, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and any applicable state securities laws. See "*Plan of Distribution*".

In connection with any offering of Notes, the Dealers may over-allot or effect transactions which stabilize or maintain the market price of the Notes offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

Messrs. Faithfull, Fohrer, Giffin and Mansour are directors of the Corporation who reside outside of Canada and each of these directors has appointed the following agent for service of process:

<u>Name of Person</u>	<u>Name and Address of Agent</u>
Timothy W. Faithfull	TransAlta Corporation 110 - 12 th Avenue SW, Calgary, AB T2R 0G7
Alan J. Fohrer	TransAlta Corporation 110 - 12 th Avenue SW, Calgary, AB T2R 0G7
Gordon D. Giffin	TransAlta Corporation 110 - 12 th Avenue SW, Calgary, AB T2R 0G7
Yakout Mansour	TransAlta Corporation 110 - 12 th Avenue SW, Calgary, AB T2R 0G7

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person who resides outside of Canada, even if the party has appointed an agent for service of process.

The offering of Notes is subject to approval of certain legal matters on behalf of the Corporation by Norton Rose Fulbright Canada LLP, Calgary, Alberta, and by McCarthy Tétrault LLP in respect of tax matters and on behalf of the Dealers by Osler, Hoskin & Harcourt LLP, Toronto, Ontario.

The registered and head office of TransAlta is located at 110 - 12th Avenue S.W., Calgary, Alberta, Canada, T2R 0G7.

TABLE OF CONTENTS OF PROSPECTUS SUPPLEMENT

	Page
IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS.....	S-2
DOCUMENTS INCORPORATED BY REFERENCE AND MARKETING MATERIALS	S-2
USE OF PROCEEDS	S-4
DESCRIPTION OF NOTES	S-4
PLAN OF DISTRIBUTION.....	S-10
CREDIT RATINGS.....	S-11
EARNINGS COVERAGE RATIOS	S-12
RELATIONSHIP BETWEEN TRANSALTA AND THE DEALERS.....	S-12
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	S-13
ELIGIBILITY FOR INVESTMENT.....	S-14
RISK FACTORS	S-14
LEGAL MATTERS.....	S-15
INTERESTS OF EXPERTS.....	S-16
STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION.....	S-16
CERTIFICATE OF THE DEALERS	C-1

TABLE OF CONTENTS OF PROSPECTUS

	Page
ABOUT THIS PROSPECTUS.....	1
DOCUMENTS INCORPORATED BY REFERENCE.....	2
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	3
TRANSALTA CORPORATION	4
USE OF PROCEEDS	5
CHANGES IN CONSOLIDATED CAPITALIZATION.....	5
EARNINGS COVERAGE RATIOS	5
DESCRIPTION OF SHARE CAPITAL	6
DESCRIPTION OF WARRANTS	8
DESCRIPTION OF SUBSCRIPTION RECEIPTS.....	9
DESCRIPTION OF DEBT SECURITIES	10
PRIOR SALES	12
MARKET FOR COMMON SHARES	13
CERTAIN INCOME TAX CONSIDERATIONS.....	14
PLAN OF DISTRIBUTION.....	14
RISK FACTORS	15
LEGAL MATTERS.....	15
EXPERTS.....	15
INTEREST OF EXPERTS	15
PURCHASER'S STATUTORY RIGHTS.....	15
CONTRACTUAL RIGHTS OF RESCISSION	15
CONSENT OF ERNST & YOUNG LLP.....	17
CERTIFICATION OF THE CORPORATION	18

IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

In this Prospectus Supplement, unless otherwise specified or the context otherwise requires, all references to "**TransAlta**", the "**Corporation**", "**we**", "**us**" and "**our**" mean TransAlta Corporation and its consolidated subsidiaries including any consolidated partnerships and joint ventures of which the Corporation or any of its subsidiaries are partners. Unless otherwise specified, all financial information included and incorporated by reference in this Prospectus Supplement has been prepared in accordance with International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board ("**IFRS**").

You should rely only on the information contained in or incorporated by reference into this Prospectus Supplement and the Prospectus. We have not, and the Dealers have not, authorized anyone to provide you with different or additional information. We are not, and the Dealers are not, making an offer to sell the Notes in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this Prospectus Supplement, the Prospectus, or any documents incorporated by reference herein or therein, is accurate as of any date other than the date on the front of those documents as our business, operating results, financial condition and prospects may have changed since that date.

Defined terms used in this Prospectus Supplement that are not defined herein have the meanings ascribed thereto in the Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE AND MARKETING MATERIALS

This Prospectus Supplement is incorporated by reference into the Prospectus as of the date hereof and only for the purposes of the distribution of the Notes. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full details. See "*Documents Incorporated by Reference*" in the Prospectus. As of the date hereof, the following documents, filed with the securities commission or similar authority in each of the provinces of Canada, are specifically incorporated by reference into, and form an integral part of, the Prospectus, provided that such documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement contained in this Prospectus Supplement or in any other subsequently filed document that is also incorporated by reference in the Prospectus:

- (a) the audited annual consolidated financial statements of the Corporation as at December 31, 2012 and 2011, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended December 31, 2012, 2011 and 2010, the notes thereto, the auditors' report thereon and the auditors' report on the Corporation's internal controls over financial reporting;
- (b) the Corporation's management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2012 (the "**Annual MD&A**");
- (c) the Corporation's annual information form dated February 26, 2013 for the year ended December 31, 2012 (the "**Annual Information Form**");
- (d) the Corporation's management proxy circular dated March 5, 2013 prepared in connection with the Corporation's annual and special meeting of shareholders held on April 23, 2013;
- (e) the unaudited interim consolidated financial statements of the Corporation for the three and nine month periods ended September 30, 2013 and 2012;
- (f) the Corporation's interim management's discussion and analysis of the financial condition and results of operations for the three and nine month periods ended September 30, 2013 (the "**Interim MD&A**");
- (g) the material change report dated July 3, 2013 with respect to the creation of TransAlta Renewables Inc. ("**TransAlta Renewables**") and the filing on June 26, 2013 of a preliminary prospectus qualifying the initial public offering of common shares of TransAlta Renewables; and
- (h) the template marketing materials prepared for potential investors in connection with the offering and filed on SEDAR on November 13, 2013.

Any documents of the type required to be incorporated by reference in a short form prospectus pursuant to National Instrument 44-101 *Short Form Prospectus Distributions* ("**NI 44-101**") of the Canadian Securities Administrators, including any documents of the type referred to above or under "*Documents Incorporated by Reference*" in the Prospectus (other than confidential material change reports) and business acquisition reports subsequently filed by the Corporation with any securities commissions or similar authorities in Canada after the date of this Prospectus Supplement and prior to the termination of the

offering of the Notes hereunder shall be deemed to be incorporated by reference into the Prospectus for the purposes of any offering of Notes. These documents are available electronically through the internet on SEDAR, which can be accessed at www.sedar.com.

Any statement contained in the Prospectus, in this Prospectus Supplement or in a document incorporated or deemed to be incorporated by reference into this Prospectus Supplement or the Prospectus will be deemed to be modified or superseded for purposes of this Prospectus Supplement to the extent that a statement contained in this Prospectus Supplement or in any other subsequently filed document which also is or is deemed to be incorporated by reference into this Prospectus Supplement or the Prospectus modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary in order to make a statement in the light of the circumstances under which it was made, not misleading. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Prospectus Supplement or the Prospectus.

Upon a new annual information form and audited annual consolidated financial statements and related management's discussion and analysis being filed by the Corporation with applicable securities regulatory authorities in Canada subsequent to the date of this Prospectus Supplement and prior to the termination of the distribution of the Notes hereunder, (i) the previous annual information form and the previous audited annual consolidated financial statements and related management's discussion and analysis, and (ii) all interim financial statements and related management's discussion and analysis, material change reports and business acquisition reports filed prior to the commencement of the Corporation's financial year in respect of which the new annual information form and related audited annual consolidated financial statements and management's discussion and analysis are filed shall be deemed no longer to be incorporated by reference into the Prospectus for purposes of future offers and sales of Notes under this Prospectus Supplement. Upon new interim financial statements and related management's discussion and analysis being filed by the Corporation with applicable securities regulatory authorities in Canada subsequent to the date of this Prospectus Supplement and prior to the termination of the distribution of the Notes hereunder, all interim financial statements and related management's discussion and analysis filed prior to the new interim consolidated financial statements and related management's discussion and analysis shall be deemed no longer to be incorporated by reference into the Prospectus for purposes of future offers and sales of Notes under this Prospectus Supplement. Upon a new information circular relating to an annual meeting of shareholders being filed by the Corporation with applicable securities regulatory authorities in Canada subsequent to the date of this Prospectus Supplement and prior to the date on which this Prospectus Supplement ceases to be effective, the information circular for the preceding annual meeting of shareholders shall be deemed no longer to be incorporated by reference into the Prospectus for purposes of offers and sales of Notes under this Prospectus Supplement.

A pricing supplement or other prospectus supplement containing the specific variable terms for an issue of Notes will be delivered to purchasers of such Notes together with this Prospectus Supplement and the Prospectus to the extent required under applicable securities laws, and will be deemed to be incorporated by reference into this Prospectus Supplement and the Prospectus, as of the date of such pricing supplement or other prospectus supplement, solely for the purposes of the offering of the Notes covered by that pricing supplement or other prospectus supplement.

In addition, certain marketing materials (as that term is defined in applicable securities legislation) may be used in connection with a distribution of Notes. Any "template version" of "marketing materials" (as those terms are defined in applicable securities legislation) pertaining to a distribution of Notes filed by the Corporation after the date of the pricing supplement or other prospectus supplement for the distribution and before termination of the distribution of such Notes, will be deemed to be incorporated by reference in that pricing supplement or other prospectus supplement for the purposes of the distribution of Notes to which the supplement pertains.

Updated earnings coverage ratios will be filed quarterly with the applicable securities regulatory authorities, either as prospectus supplements or as exhibits to the Corporation's unaudited interim consolidated financial statements and audited annual consolidated financial statements, and will be deemed to be incorporated by reference into this Prospectus Supplement and the Prospectus for the purposes of the offering of the Notes.

All dollar amounts herein are stated in Canadian dollars, except where otherwise indicated.

USE OF PROCEEDS

The net proceeds from the issuance of Notes, from time to time, will be the issue price less any fees or commissions and expenses of the issuance paid in connection therewith. Such net proceeds cannot be estimated as of the date of this Prospectus Supplement, as the amount will depend on the extent to which Notes are issued during the 25-month period that the Prospectus Supplement to which this Prospectus Supplement relates remains valid and upon the terms, conditions and provisions attaching to such Notes. The maximum aggregate principal amount of the Notes will not exceed \$400,000,000 (or the equivalent thereof in other currencies based on the applicable exchange rate at the time of the offering of Notes) or, if offered at an original issue discount, such greater amount as shall result in an aggregate offering price of up to \$400,000,000 (or the equivalent thereof in other currencies based on the applicable exchange rate at the time of the offering of Notes). Such amount is subject to reduction as a result of the sale by the Corporation of other securities pursuant to other prospectus supplements to the Prospectus. The Corporation may, from time to time, issue Securities (including debt securities) and incur additional indebtedness other than through the issue of Notes pursuant to the Prospectus and this Prospectus Supplement.

Unless otherwise specified in a pricing supplement or other prospectus supplement, the net proceeds received by the Corporation from the sale of Notes offered hereby will be used by the Corporation for the repayment of indebtedness, the financing of the Corporation's long-term investment plan and growth projects or for other general corporate purposes. All expenses relating to an offering of Notes and any compensation paid to Dealers or other underwriters or agents will be paid out of the Corporation's general funds. The Corporation may invest funds which it does not immediately use, including in short-term investment grade securities.

DESCRIPTION OF NOTES

General

The Notes will be issued under a trust indenture dated as of September 22, 1999 between the Corporation and CIBC Mellon Trust Company, as trustee (the "**Trustee**"), as supplemented and amended from time to time (the "**Indenture**"). The Notes offered hereunder will be debentures of a single series under the Indenture. The Indenture permits the issuance thereunder from time to time of additional Notes of this series, and of debentures in one or more other series ("**Debentures**"), without limitation as to aggregate principal amount. The Notes will be direct unsecured obligations of the Corporation ranking equally and *pari passu*, except as to sinking fund or analogous provisions, with all other unsecured and unsubordinated indebtedness of the Corporation.

The specific variable terms of any offering of Notes, including the aggregate principal amount offered, price to the public (at par, discount or a premium), currency, issue and maturity dates, interest rate (either fixed or floating and, if floating, the manner of calculation thereof), interest payment date(s), redemption provisions, if any, proceeds to the Corporation, the dealers' commission and any other terms in connection with the offer and sale of the Notes, will be established at the time of the offering and sale of the Notes and set forth in a pricing supplement or other prospectus supplement which will accompany this Prospectus Supplement and the Prospectus, including any amendment hereto or thereto. The Corporation reserves the right to set forth in a pricing supplement or other prospectus supplement specific terms of the Notes which are not within the options and parameters set forth in this Prospectus Supplement. Notes may be offered in amounts and on such terms and conditions as may be determined from time to time depending upon TransAlta's financing requirements, prevailing market conditions and other factors.

Term and Denomination

The Notes will have maturities of not less than one year from the date of issue and will be issuable in fully registered form in denominations of \$1,000 and integral multiples thereof (or the approximate equivalent thereof in a foreign currency).

Fixed and Floating Rate Notes

An interest bearing Note may be issued as a fixed rate Note (a "**Fixed Rate Note**") or a floating rate Note (a "**Floating Rate Note**") or as a Note that is a Fixed Rate Note for a portion of its term and a Floating Rate Note for a portion of its term, all as specified in the applicable pricing supplement or other prospectus supplement.

Notes will bear interest from their issue date or from the last interest payment date to which interest has been paid, whichever is later, provided that, in respect of the first interest payment after the issuance thereof, each Note will bear interest from the later of the date of such Note and the last interest payment date preceding the issuance of such Note. Interest on Fixed Rate Notes will be payable quarterly, semi-annually, annually or as otherwise specified in the applicable pricing supplement or other prospectus supplement, on the interest payment dates specified in the Notes and in the applicable pricing supplement or

other prospectus supplement, and at maturity. Interest on Floating Rate Notes will be payable on the interest reset dates specified in the Note and in the applicable pricing supplement or other prospectus supplement and at maturity.

Global Notes

All Notes denominated in Canadian or United States dollars will be represented in the form of fully registered global Notes (a "**Global Note**") held by, or on behalf of, CDS Clearing and Depository Services Inc. or a successor thereof (collectively, the "**Depository**") as custodian of the Global Notes (for its participants) and registered in the name of the Depository or its nominee. Except as described below, no purchaser of a Note will be entitled to a certificate or other instrument from the Corporation or the Depository evidencing the purchaser's ownership of the Note. Instead, the Notes will be represented only in book entry form. Beneficial interests in the Global Notes, constituting ownership of the Notes, will be represented through book entry accounts of institutions (including the Dealers) acting on behalf of beneficial owners, as direct and indirect participants of the Depository ("**participants**"). Each purchaser of a Note represented by a Global Note will receive a customer confirmation of purchase from the Dealer or Dealers from whom the Note is purchased in accordance with the practices and procedures of the selling Dealer or Dealers. The practices of the Dealers may vary but generally customer confirmations are issued promptly after execution of a customer order. The Depository will be responsible for establishing and maintaining book entry accounts for its participants having interests in Global Notes.

Currently, the Depository only allows Depository eligibility for securities denominated in Canadian or United States dollars. Any Notes denominated in a currency other than Canadian or United States dollars will be represented by Notes in definitive form until such time as the Depository allows Depository eligibility for issues of securities denominated in such currencies.

If the Depository notifies the Corporation that it is unwilling or unable to continue as Depository in connection with the Global Notes, or if at any time the Depository ceases to be a qualified clearing agency, and the Corporation and the Trustee are unable to locate a qualified successor, or if the Corporation elects to terminate the book entry system, beneficial owners of Notes represented by Global Notes will receive Notes in definitive form. Beneficial owners of Notes represented by Global Notes may also receive Notes in definitive form if the Trustee gives notice pursuant to the Indenture that an event of default has occurred and is continuing with respect to the Notes.

Payment of Interest and Principal

The Depository or its nominee, as the registered owner of a Global Note, will be considered the sole owner of such Note for the purposes of receiving payments of interest and principal on the Note and for all other purposes under the Indenture and the Note.

The Corporation understands that the Depository or its nominee, upon receipt of any payment of interest or principal in respect of a Global Note, will credit participants' accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of the Depository or its nominee. The Corporation also understands that payments of interest and principal by participants to the owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices. The responsibility and liability of the Corporation in respect of Notes represented by a Global Note is limited to making payment of any interest and principal due on such Global Note to the Depository or its nominee in the currency, at the times and in the manner described in the Global Note. The Corporation will not have any responsibility or liability for any aspect of the records related to or payments made on account of beneficial interests in any Global Note or for maintaining, reviewing, or supervising any records relating to such beneficial interests.

If the date for payment of any amount of principal or interest on any Notes is not a business day at the place of payment, then payment will be made on the next business day and the holder of such Notes will not be entitled to any further interest or other payment in respect of the delay.

Transfer of Notes

Transfers of beneficial ownership of Notes represented by Global Notes will be effected through records maintained by the Depository for such Global Notes or its nominee (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Beneficial owners who are not participants in the Depository's book entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Notes, may do so only through participants in the Depository's book entry system.

The ability of a beneficial owner of an interest in a Note represented by a Global Note to pledge the Note or otherwise take action with respect to such owner's interest in a Note represented by a Global Note (other than through a participant) may be limited due to the lack of a physical certificate.

Redemption and Purchase of Notes

Notes will not be redeemable by the Corporation or repayable at the option of the holder prior to their maturity unless otherwise specified in the applicable pricing supplement or other prospectus supplement.

The Corporation may at any time purchase Notes in the market (which shall include purchases from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by tender to holders of Notes or by private contract, at any price. Notes redeemed or purchased by the Corporation shall be cancelled and may not be reissued.

Covenants

The following is a summary of certain covenants contained in the Indenture and is subject to, and qualified in its entirety by reference to, the complete provisions of the Indenture. Reference should be made to the Indenture for a full description of such covenants and other provisions, including the definition of certain terms used herein, and for other terms of, and information regarding, the Notes.

Negative Covenant

So long as any Debentures (including Notes) remain outstanding the Corporation will not create, assume or otherwise have outstanding any Security Interest, except for Permitted Encumbrances, on or over its assets (present or future) in respect of any Indebtedness of any person unless, in the opinion of legal counsel to the Corporation or the Trustee, the obligations of the Corporation in respect of all Debentures (including Notes) then outstanding shall be secured equally and ratably therewith, provided that such covenant shall not hinder or prevent the sale of any property or asset of the Corporation.

Issue Test

So long as any Debentures (including Notes) remain outstanding, the Corporation will not issue or in any other manner become liable (other than (i) Funded Obligations issued by the Corporation to a Subsidiary; (ii) Funded Obligations issued by the Corporation to refund outstanding Consolidated Funded Obligations in an amount not exceeding the principal amount of the Consolidated Funded Obligations being refunded; and (iii) Funded Obligations in respect of which the Corporation has become liable solely as a result of a reorganization transaction wholly involving the Corporation and one or more of its Subsidiaries) for any Funded Obligations, unless after giving effect to such Funded Obligations the aggregate principal amount of Consolidated Funded Obligations does not exceed 75 percent of Total Consolidated Capitalization. The Indenture also contains provisions contemplating the deferred delivery of Funded Obligations for a period of up to one year after any date of determination. Funded Obligations in respect of which delivery is deferred may consist of separate issues with different terms.

Sale of Assets and Amalgamations

The Corporation will not enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other person (the "**Successor**"), whether by reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless:

- (a) the Successor assumes all of the covenants and obligations of the Corporation under the Indenture and the transaction otherwise meets the requirements of the Indenture; or
- (b) the transaction is wholly between or among the Corporation and its Subsidiaries.

Events of Default

All Debentures (including Notes) issued under the Indenture are entitled to the rights provided to holders thereof in the Indenture upon the occurrence of an event of default. For the purposes of the Indenture, an event of default includes:

- (a) the failure of the Corporation to pay when due the principal of or premium (if any) on any Debenture when due and such failure to pay continues for a period of five business days;

- (b) the failure of the Corporation to pay any interest due on any Debentures or on any sinking fund payment and such failure continues for a period of 30 days;
- (c) the Corporation defaults in observing or performing any material covenant of the Indenture and such default continues for a period of 60 days after receipt by the Corporation from the Trustee of notice detailing such default, unless the Trustee has agreed to a longer period;
- (d) if the Corporation or any Material Subsidiary:
 - (i) makes default in payment at maturity, including any applicable grace period, or
 - (ii) makes default in the performance or observance of any other covenant, term, agreement or condition, with respect to any single item of Indebtedness, other than Non-Recourse Debt, in an amount in excess of five percent of Consolidated Shareholders' Equity or with respect to more than two items of Indebtedness, other than Non-Recourse Debt, in an aggregate amount in excess of 10 percent of Consolidated Shareholders' Equity and, if such Indebtedness has not already matured in accordance with its terms, such Indebtedness shall have been accelerated so that the same shall be or become due and payable prior to the date on which the same would otherwise have become due and payable, provided that if such default is waived by the persons entitled to do so, then the Event of Default shall be deemed to be waived without further action on the part of the Trustee or the Debenture holders;
- (e) if a decree or order of a Court having jurisdiction is entered adjudging the Corporation bankrupt or insolvent, or appointing a receiver of, or of all or substantially all of the property of, the Corporation, and such decree or order continues unstayed and in effect for a period of 60 days;
- (f) if a resolution is passed for the winding-up or liquidation of the Corporation except in the course of carrying out a transaction in accordance with the terms of the Indenture and except in the ordinary course of business of the Corporation, or if the Corporation institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it, or consents to the filing of any such petition or to the appointment of a receiver of, or of all or substantially all of the property of, the Corporation, other than Non-Recourse Property, or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due or takes corporate action in furtherance of any of the aforesaid purposes; or
- (g) if an encumbrancer takes possession of the property of the Corporation, other than Non-Recourse Property, or any part thereof which is a substantial part of the property of the Corporation, or if any process of execution is levied or enforced upon or against the property of the Corporation, other than Non-Recourse Property, or any part thereof which is a substantial part of the property of the Corporation and remains unsatisfied for such period as would permit any such property to be sold thereunder, unless such process is in good faith disputed by the Corporation.

Modification

The Indenture provides that modification and alterations thereto and to the Debentures issued under the Indenture may be made if authorized by a resolution passed by the affirmative votes of the holders of not less than 66 2/3 percent of the principal amount of the Debentures represented and voted at a meeting of holders of Debentures at which holders of more than 25 percent in principal amount of the Debentures then outstanding are present, or if authorized by an instrument in writing signed by the holders of not less than 66 2/3 percent of the principal amount of all outstanding Debentures. In certain cases, such modification will also require separate assent by the holders of the required percentage of Debentures of one or more series (or an issue forming part of a series, as applicable). However, if the modification does not adversely affect the rights of the holders of Debentures of a series (or an issue forming part of a series, as applicable), the assent of the holders of Debentures of such series (or issue forming part thereof) is not required.

Governing Law

The Indenture, any supplemental indentures and the Notes will be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

Definitions

The Indenture contains, among others, definitions substantially to the following effect:

"*Consolidated Funded Obligations*" means the aggregate amount of all Funded Obligations of the Corporation arrived at on a consolidated basis in accordance with Generally Accepted Accounting Principles.

"*Consolidated Net Tangible Assets*" means all consolidated assets of the Corporation as shown on the most recent audited consolidated balance sheet of the Corporation, less the aggregate of the following amounts reflected upon such balance sheet:

- (a) all goodwill, deferred assets, trademarks, copyrights and other similar intangible assets;
- (b) to the extent not already deducted in computing such assets and without duplication, depreciation, depletion, amortization, reserves and any other account which reflects a decrease in the value of an asset or a periodic allocation of the cost of an asset;
- (c) minority interests;
- (d) current liabilities; and
- (e) assets created, developed, constructed or acquired with or in respect of which Non-Recourse Debt has been incurred, to the extent of the outstanding Non-Recourse Debt financing such assets.

"*Consolidated Shareholders' Equity*" means, without duplication, the aggregate amount of shareholders' equity (including, without limitation, common share capital, preferred share capital, contributed surplus and retained earnings) of the Corporation as shown on the most recent audited consolidated balance sheet of the Corporation, adjusted by the amount by which common share capital, preferred share capital and contributed surplus has been increased or decreased (as the case may be) from the date of such balance sheet to the relevant date of determination, in accordance with Generally Accepted Accounting Principles, together with the aggregate principal amount of obligations of the Corporation in respect of Preferred Securities.

"*Financial Instrument Obligations*" means obligations arising under:

- (a) any interest swap agreement, forward rate agreement, floor, cap or collar agreement, futures or options, insurance or other similar agreement or arrangement, or any combination thereof, entered into or guaranteed by the Corporation where the subject matter of the same is interest rates or the price, value, or amount payable thereunder is dependent or based upon the interest rates or fluctuations in interest rates in effect from time to time (but, for certainty, shall exclude conventional floating rate debt);
- (b) any currency swap agreement, cross currency agreement, forward agreement, floor, cap or collar agreement, futures or options, insurance or other similar agreement or arrangement, or any combination thereof, entered into or guaranteed by the Corporation where the subject matter of the same is currency exchange rates or the price, value or amount payable thereunder is dependent or based upon currency exchange rates or fluctuations in currency exchange rates in effect from time to time; and
- (c) any agreement for the making or taking of any commodity (including natural gas, oil or electricity), any commodity swap agreement, floor, cap or collar agreement or commodity future or option or other similar agreements or arrangements, or any combination thereof, entered into or guaranteed by the Corporation where the subject matter of the same is any commodity or the price, value or amount payable thereunder is dependent or based upon the price of any commodity or fluctuations in the price of any commodity,

to the extent of the net amount due or accruing due by the Corporation thereunder (determined by marking-to-market the same in accordance with their terms).

"*Funded Obligations*" means all Indebtedness created, assumed or guaranteed which matures by its terms on, or is renewable at the option of the obligor to, a date more than 18 months after the date of the original creation, assumption or guarantee thereof, except the Non-Recourse Debt, Subordinated Debt and obligations in respect of Preferred Securities.

"*Generally Accepted Accounting Principles*" means generally accepted accounting principles which are in effect from time to time in Canada.

"*Indebtedness*" means all items of indebtedness in respect of any amounts borrowed (including obligations with respect to bankers' acceptances and contingent reimbursement obligations relating to letters of credit and other financial instruments) and all Purchase Money Obligations which, in accordance with Generally Accepted Accounting Principles, would be recorded in the financial statements as at the date as of which Indebtedness is to be determined, and in any event including, without duplication:

- (a) obligations secured by any Security Interest existing on property owned subject to such Security Interest, whether or not the obligations secured thereby shall have been assumed; and

- (b) guarantees, indemnities, endorsements (other than endorsements for collection in the ordinary course of business) or other contingent liabilities in respect of obligations of another person for indebtedness of that other person in respect of any amounts borrowed by them.

"*Material Subsidiary*" means, at any time, a Subsidiary:

- (a) the total assets of which represent more than 10 percent of the total assets of the Corporation determined on a consolidated basis as shown in the most recent audited consolidated balance sheet of the Corporation; or
- (b) the total revenues of which represent more than 10 percent of the total revenues of the Corporation determined on a consolidated basis as shown in the consolidated income statement of the Corporation for the four most recent fiscal quarters of the Corporation.

"*Non-Recourse Debt*" means any Indebtedness incurred to finance the creation, development, construction or acquisition of assets and any increases in or extensions, renewals or refundings of any such Indebtedness, provided that the recourse of the lender thereof or any agent, trustee, receiver or other person acting on behalf of the lender in respect of such Indebtedness or any judgment in respect thereof is limited in all circumstances (other than in respect of false or misleading representations or warranties) to the assets created, developed, constructed or acquired in respect of which such Indebtedness has been incurred and to any receivables, inventory, equipment, chattel paper, intangibles and other rights or collateral connected with the assets so created, developed, constructed or acquired and to which the lender has recourse.

"*Permitted Encumbrance*" means any of the following:

- (a) any Security Interest existing as of the date of the first issuance by the Corporation of Debentures issued pursuant to the Indenture, or arising thereafter pursuant to contractual commitments entered into prior to such issuance;
- (b) any Security Interest created, incurred or assumed to secure any Purchase Money Obligation;
- (c) any Security Interest created, incurred or assumed to secure any Non-Recourse Debt;
- (d) any Security Interest in favour of any Subsidiary;
- (e) any Security Interest on property of a corporation which Security Interest exists at the time such corporation is merged into, or amalgamated or consolidated with the Corporation or such property is otherwise acquired by the Corporation;
- (f) any Security Interest securing any Indebtedness to any bank or banks or other lending institution or institutions incurred in the ordinary course of business and for the purpose of carrying on the same, repayable on demand or maturing within 12 months of the date when such Indebtedness is incurred or the date of any renewal or extension thereof;
- (g) any Security Interest on or against cash or marketable debt securities pledged to secure Financial Instrument Obligations;
- (h) certain Security Interests in respect of liens or other encumbrances, not related to the borrowing of money, incurred or arising by operation of law or in the ordinary course of business or incidental to the ownership of property or assets;
- (i) any extension, renewal, alteration or replacement (or successive extensions, renewals, alterations or replacements) in whole or in part, of any Security Interest referred to in the foregoing clauses (a) through (h) inclusive, provided the extension, renewal, alteration or replacement of such Security Interest is limited to all or any part of the same property that secured the Security Interest extended, renewed, altered or replaced (plus improvements on such property) and the principal amount of the Indebtedness secured thereby is not increased; and
- (j) any other Security Interest if the amount of Indebtedness secured pursuant to this clause (j) does not exceed 5 percent of Consolidated Net Tangible Assets.

"*Preferred Securities*" means securities which on the date of issue thereof by a person:

- (a) have a term to maturity of more than 30 years;
- (b) rank subordinate to the unsecured and unsubordinated Indebtedness of such person outstanding on such date;
- (c) entitle such person to defer the payment of interest thereon for more than four years without thereby causing an event of default in respect of such securities to occur; and

- (d) entitle such person to satisfy the obligation to make payments of deferred interest thereon from the proceeds of the issuance of its shares.

"*Purchase Money Obligation*" means any monetary obligation created or assumed as part of the purchase price of real or tangible personal property, whether or not secured, any extensions, renewals, alterations or replacements of any such obligation, provided that the principal amount of such obligation outstanding on the date of such extension, renewal, alteration or replacement is not increased and further provided that any security given in respect of such obligation shall not extend to any property other than the property acquired in connection with which such obligation was created or assumed and fixed improvements, if any, erected or constructed thereon.

"*Security Interest*" means any mortgage, charge, pledge, lien, encumbrance, assignment by way of security, title retention agreement or other security interest whatsoever, howsoever created or arising, whether absolute or contingent, fixed or floating, perfected or not, which secures payment or performance of an obligation, but, for certainty, excludes an absolute assignment of accounts receivable.

"*Subordinated Debt*" means all Indebtedness of the Corporation in respect of which upon any distribution of assets of the Corporation upon any dissolution, winding up, liquidation or reorganization of the Corporation (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors, or any other marshalling of the assets and liabilities of the Corporation or otherwise), the payment of all indebtedness and liability of the Corporation in connection with the Debentures, including principal, interest, fees and expenses, must be satisfied in full prior to any amount being applied to such Indebtedness, excluding obligations in respect of Preferred Securities.

"*Subsidiary*" means:

- (a) any corporation of which at least a majority of the outstanding shares having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time shares of any other class or classes of such corporation might have voting power by reason of the happening of any contingency, unless the contingency has occurred and then only for as long as it continues) is at the time directly, indirectly or beneficially owned or controlled by the Corporation or one or more of its Subsidiaries, or the Corporation and one or more of its Subsidiaries;
- (b) any partnership of which the Corporation or one or more of its Subsidiaries, or the Corporation and one or more of its Subsidiaries: (i) directly, indirectly or beneficially own or control more than 50 percent of the income, capital, beneficial or ownership interests (however designated) thereof; and (ii) is a general partner, in the case of a limited partnership, or is a partner that has authority to bind the partnership, in all other cases; or
- (c) any other person of which at least a majority of the income, capital, beneficial or ownership interests (however designated) are at the time directly, indirectly or beneficially owned or controlled by the Corporation or one or more of its Subsidiaries, or the Corporation and one or more of its Subsidiaries.

"*Total Consolidated Capitalization*" means, without duplication, the sum of:

- (a) Consolidated Shareholders' Equity;
- (b) the principal amount of Consolidated Funded Obligations;
- (c) the principal amount of Subordinated Debt;
- (d) the accumulated provision for deferred income taxes; and
- (e) the amount of any minority interests,

as determined for the Corporation on a consolidated basis in accordance with Generally Accepted Accounting Principles (except where otherwise specifically provided in the Indenture).

PLAN OF DISTRIBUTION

Pursuant to the terms of a dealer agreement (the "**Dealer Agreement**") dated November 18, 2013 among the Corporation and the Dealers, the Dealers are authorized, as agents of the Corporation in Canada for this purpose only, to solicit offers to purchase Notes, directly or through other Canadian investment dealers approved by the Corporation on a best efforts basis. The Corporation will pay each Dealer through whom any Note is sold a commission in an amount to be determined from time to time by mutual agreement. The Corporation may also offer the Notes directly to purchasers, pursuant to applicable statutory

exemptions or discretionary exemptions, at prices and upon terms negotiated between the purchaser and the Corporation, in which case no commission will be paid. The Dealer Agreement also provides that Notes may be purchased from time to time by any of the Dealers as principal, at a price to be agreed between the Corporation and the Dealer, for resale to other dealers or purchasers at prices to be negotiated with each such investment dealer or purchaser. Such resale prices may vary during the distribution period and as between purchasers. Commissions may be paid in connection with such purchases in such amounts as may be agreed between the Corporation and any such Dealer. The Dealers' compensation will be increased or decreased by the amount by which the aggregate price paid for Notes by purchasers exceeds or is less than the aggregate price paid by the Dealer, acting as principal, to the Corporation.

Additional details with respect to the distribution of a particular offering of Notes will be set forth in the applicable pricing supplement or other prospectus supplement.

The Notes have not been and will not be registered under the U.S. Securities Act or any state securities laws. Accordingly, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act), unless the Notes are registered under the U.S. Securities Act and applicable state securities laws or an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available, including, if contemplated in the applicable pricing supplement or other prospectus supplement, transactions under Rule 144A under the U.S. Securities Act. In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to an available exemption from the registration requirements of the U.S. Securities Act.

In connection with any offering of Notes, the Dealers may over-allot or effect transactions which stabilize or maintain the market price of the Notes offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Dealers may from time to time purchase and sell Notes in the secondary market but are not obligated to do so. There can be no assurance that there will be a secondary market for the Notes. The offering price and other selling terms for such sales in the secondary market may, from time to time, be varied by such Dealers.

The Corporation has agreed to indemnify the Dealers and their directors, officers, employees and each person who controls a Dealer against liabilities arising out of, among other things, any misrepresentation in this Prospectus Supplement and the documents incorporated by reference herein, other than liabilities arising out of any misrepresentations made by the Dealers.

The Corporation and, if applicable, the Dealers reserve the right to reject any offer to purchase Notes in whole or in part. The Corporation also reserves the right to withdraw, cancel or modify the offering of Notes under this Prospectus Supplement without notice.

CREDIT RATINGS

The Corporation's senior unsecured long-term debt, including the Notes, has been rated BBB (stable) by Dominion Bond Rating Service Limited ("**DBRS**") and BBB- (stable) by Standard & Poor's, a division of The McGraw Hill Companies Inc. ("**S&P**"). Credit ratings are intended to provide an independent measure of the credit quality of an issue of securities. The ratings for debt instruments range from a high of AAA to a low of D, for both DBRS and S&P.

According to the DBRS rating system, debt securities rated BBB are of adequate credit quality and are within the fourth highest of ten categories. Protection of interest and principal is considered acceptable, but the entity is more susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities. "High" or "Low" grades indicate the relative standing within a rating category. DBRS also assigns rating trends to each of its ratings to give investors an understanding of DBRS' opinion regarding the outlook for the rating in question.

According to the S&P rating system, debt securities rated BBB exhibit adequate protection parameters and are within the fourth highest of ten categories. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments on such obligations than on obligations in the higher rating categories. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. S&P also assigns a rating outlook to each of its ratings to give investors an understanding of S&P's opinion regarding the potential direction for the long-term credit rating over the intermediate term.

The credit ratings accorded to TransAlta's debt securities by the rating agencies are not recommendations to purchase, hold or sell the debt securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that the ratings will remain in effect for any given period or that a rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgement, circumstances warrant such, and if any such rating is so revised or withdrawn, the Corporation is under no obligation to update this Prospectus Supplement.

TransAlta has paid rating services fees to DBRS and S&P, but has not paid for other rating agency services during the last two years. TransAlta expects to pay market fees for other rating agency services in the future.

EARNINGS COVERAGE RATIOS

The following sets forth our earnings coverage ratios calculated for the 12 month period ended December 31, 2012, and the 12 month period ended September 30, 2013. The earnings coverage ratios set forth below (i) do not give effect to the issue of any Notes pursuant to this Prospectus Supplement since the aggregate initial offering amount of Notes that may be issued hereunder and the terms of any such issue are not currently known; and (ii) do not purport to be indicative of earnings coverage ratios for any future periods. The earnings coverage ratios have been calculated based on information prepared in accordance with IFRS.

	12 month period ended	
	December 31, 2012	September 30, 2013
Earnings coverage on long-term debt ⁽¹⁾	-1.1 times	1.6 times

Notes:

(1) Earnings coverage on long-term debt on a net earnings basis is equal to net earnings plus net interest expense and income taxes, divided by net interest expense plus capitalized interest. For purposes of calculating the earnings coverage ratios set forth herein, long-term debt includes the current portion of long-term debt and does not include any amounts with respect to securities that may be issued under this Prospectus Supplement.

TransAlta evaluates its performance using a variety of measures. Earnings coverage discussed above is not defined under IFRS and, therefore, should not be considered in isolation or as an alternative to, or more meaningful than, net earnings as determined in accordance with IFRS as an indicator of TransAlta's financial performance or liquidity. This measure is not necessarily comparable to a similarly titled measure of another company. Net earnings (loss) has been calculated on a consistent basis for the 12 month period ended December 31, 2012 and the 12 month period ended September 30, 2013.

TransAlta's interest requirements, as adjusted as described above, amounted to approximately \$225 million and \$234 million for the 12 months ended December 31, 2012 and 12 months ended September 30, 2013, respectively. Our earnings (loss) before interest and income tax for the 12 month periods then ended were approximately \$(238) million and \$376 million, respectively, which is -1.1 times and 1.6 times, respectively, TransAlta's interest requirements, as adjusted as described above, for such periods. TransAlta would have required additional earnings of \$463 million in respect of long term debt for the 12 months ended December 31, 2012, in order to achieve an earnings coverage ratio of one-to-one for such period.

RELATIONSHIP BETWEEN TRANSALTA AND THE DEALERS

Each Dealer is a directly or indirectly wholly-owned or majority owned subsidiary, or an affiliate of, a Canadian chartered bank or a financial institution which has extended credit facilities to the Corporation upon which the Corporation may draw from time to time (collectively, the "**Affiliate Lenders**"). Consequently, TransAlta may be considered to be a connected issuer of such Dealer under applicable securities laws.

At November 18, 2013, TransAlta was indebted to the Affiliate Lenders under its credit facilities in the aggregate amount of \$758.13 million. TransAlta has complied with the instruments governing its credit facilities and no breach thereof has ever been waived by any of the Affiliate Lenders. Except as otherwise disclosed in this Prospectus Supplement and the Prospectus, the financial position of the Corporation has not changed substantially since the indebtedness under the credit facilities was incurred. The Corporation intends to use the net proceeds from an offering of Notes for the repayment of indebtedness, the financing of the Corporation's long-term investment plan and growth projects or for other general corporate purposes. As a consequence to repaying indebtedness, net proceeds from an offering of Notes may be paid to one or more of the Affiliate Lenders. While the Corporation intends to use the net proceeds as stated, there may be circumstances that are not known at this time where a reallocation of the net proceeds may be advisable for business reasons that management believes are in the Corporation's best interests. For more information, see "*Use of Proceeds*".

The decision to distribute Notes pursuant to the offering was made by the Corporation. The Affiliate Lenders did not have any involvement in such decision or determination but have each been advised of the offering and the terms thereof. Each Dealer will receive its proportionate share of any commission payable by the Corporation to the Dealers.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, tax counsel to the Corporation, and Osler, Hoskin & Harcourt LLP, counsel to the Dealers (collectively "**Counsel**"), the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to a prospective purchaser (a "**Purchaser**") of Notes as a beneficial owner pursuant to this Prospectus Supplement who, for purposes of the *Income Tax Act* (Canada) (the "**Tax Act**"), and at all material times is, or is deemed to be, a resident of Canada, is not a financial institution as defined in the Tax Act, has not made a functional currency election for purposes of the Tax Act, an interest in which is not a "tax shelter investment" within the meaning of section 143.2 of the Tax Act, holds the Notes as capital property, and deals at arm's length, and is not affiliated, with the Corporation. This summary also assumes that no Purchaser has entered or will enter into a "derivative forward agreement" (as that term is defined in Proposed Amendments (as defined herein) contained in Bill C-4 which received second reading in the House of Commons on October 29, 2013 (the "**October 2013 Proposals**") with respect to the Notes. The Notes will generally be treated as capital property of a Purchaser unless the Purchaser acquires or holds the Notes in the course of carrying on a business or in a transaction or transactions considered to be an adventure or concern in the nature of trade or for a purpose other than to hold as an investment. Certain Purchasers who might not otherwise be considered to hold their Notes as capital property, may in certain circumstances, be entitled to make or may have already made the irrevocable election permitted by subsection 39(4) of the Tax Act to have the Notes, and any other "Canadian security" (as defined in the Tax Act), owned by such Purchaser in the taxation year in which the election is made and in all subsequent taxation years, deemed to be capital property. Purchasers whose Notes might not otherwise be considered capital property should consult their own tax advisors concerning this election.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "**Regulations**") and Counsel's understanding of the current administrative practices and policies of the Canada Revenue Agency published in writing and publicly available as of the date hereof. In addition, this summary takes into account all specific proposals to amend the Tax Act and Regulations publicly announced by the Minister of Finance of Canada prior to the date hereof (the "**Proposed Amendments**"). No assurances can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice, whether by judicial, governmental or legislative decision or action, and does not take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be exhaustive of all federal income tax considerations generally applicable in respect of the Notes. There may be different or additional federal income tax considerations in the event the Notes do not carry a fixed rate of interest, are issued at a discount or premium or issued in a currency other than the Canadian dollar. This summary is not intended to be, and should not be construed to be, legal or tax advice to any Purchaser, and no representation with respect to Canadian federal income tax consequences to any Purchaser is made herein. Accordingly, Purchasers should consult their own tax advisors with respect to their individual circumstances.

If the principal Canadian federal income tax considerations applicable to a Purchaser of Notes are materially different from those that are described in this summary, such Canadian federal income tax considerations will be set forth in the applicable pricing supplement or other Prospectus Supplement.

Interest on Notes

A Purchaser that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in its income for a taxation year any interest that accrues or is deemed to accrue to the Purchaser to the end of the year or that becomes receivable or is received by it before the end of the year to the extent such interest was not included in computing the Purchaser's income for a preceding year.

Any other Purchaser, including an individual, will be required to include in its income for a taxation year any amount received or receivable by it as interest in the year on a Note (depending upon the method regularly followed by the Purchaser in computing the Purchaser's income) to the extent that such amount was not included in the Purchaser's income for a preceding taxation year. In addition, if at any time a Note should become an "investment contract" (as defined in the Tax Act) in relation to a Purchaser (other than a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary), such Purchaser will be required to include in computing its income for a taxation year any interest that accrued to the Purchaser to the end of any "anniversary day" (as defined in the Tax Act) of the Note to the extent such amount was not otherwise included in computing the Purchaser's income for such year or any preceding taxation year.

Redemption or Other Disposition

On a disposition or deemed disposition of a Note, which will include a redemption, payment on maturity or purchase by the Corporation, a Purchaser will generally be required to include in computing its income for the taxation year in which the disposition occurs the amount of any interest that has accrued on the Note to the date of transfer and which was not, in accordance

with the terms of the Note, payable until after that date, to the extent that such interest has not otherwise been included in computing the Purchaser's income for such year or a preceding taxation year.

In addition, a disposition or deemed disposition of a Note will generally give rise to a capital gain (or a capital loss) equal to the amount by which the Purchaser's proceeds of disposition, net of an amount included in the Purchaser's income as interest, exceed (or are less than) the adjusted cost base of such Note to the Purchaser immediately before the disposition or deemed disposition and any reasonable costs of disposition. Generally, one-half of any capital gain realized or deemed to be realized by a Purchaser on a disposition of a Note in a taxation year will be included in the Purchaser's income as a taxable capital gain. Subject to certain specific rules in the Tax Act, one-half of any capital loss realized or deemed to be realized by such a Purchaser generally is deducted from any taxable capital gains realized by the Purchaser in the year of disposition, and any excess may be deducted against taxable capital gains in any of the three preceding taxation years or in any subsequent taxation year, to the extent and under the circumstances allowed under the Tax Act. A capital gain realized by an individual or a trust (other than certain specified trusts) may give rise to a liability for alternative minimum tax.

A Purchaser that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable for a refundable tax on its investment income, which generally includes interest income and taxable capital gains.

ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, tax counsel to the Corporation, and Osler, Hoskin & Harcourt LLP, counsel to the Dealers, the Notes, if issued on the date of this Prospectus Supplement, would be, as at such date, qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("RRSPs"), registered education savings plans, registered retirement income funds ("RRIFs"), registered disability savings plans, tax-free savings accounts ("TFSA") and deferred profit sharing plans (other than a deferred profit sharing plan to which contributions are made by the Corporation or a person or partnership with which the Corporation does not deal at arm's length within the meaning of the Tax Act), all within the meaning of the Tax Act.

Notwithstanding that the Notes may be qualified investments for trusts governed by TFSAs, RRSPs or RRIFs, holders of TFSAs and annuitants under RRSPs and RRIFs, will be subject to a penalty tax in respect of any Notes held in their TFSAs or in their RRSPs or RRIFs, as applicable, if such Notes constitute "prohibited investments" to them under the Tax Act. The Notes, if issued on the date hereof, would not be a "prohibited investment" for trusts governed by TFSAs, RRSPs or RRIFs if the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, (i) deals at arm's length with the Corporation for purposes of the Tax Act, (ii) does not have a "significant interest" (within the meaning of the Tax Act but in general terms, a person who owns directly or indirectly at least 10% of the issued shares of any class of the capital stock of the Corporation) in the Corporation, and (iii) does not have a "significant interest" (within the meaning of the Tax Act) in a corporation, partnership or trust with which the Corporation does not deal at arm's length for purposes of the Tax Act. The October 2013 Proposals propose to delete the condition in clause (iii) above. Holders or annuitants should consult their own tax advisors with respect to whether Notes would be prohibited investments to them.

RISK FACTORS

Prospective purchasers of Notes should consider carefully the risk factors set forth below as well as the other information contained and incorporated by reference in this Prospectus Supplement and the Prospectus before purchasing Notes. Information regarding the risks affecting the Corporation and its business is provided in the documents incorporated by reference in this Prospectus Supplement and the Prospectus, including the Annual MD&A under the heading "Risk Management", the Annual Information Form under the heading "Risk Factors". See "*Documents Incorporated by Reference*".

Absence of a Public Market for the Notes

There is no public market for the Notes and the Corporation does not intend to apply for listing of the Notes on any securities exchange. If the Notes are traded after their initial issue, they may trade at a discount from their initial offering prices, depending on prevailing interest rates, the market for similar securities and other factors, including general economic conditions and the Corporation's financial condition. There can be no assurance as to the liquidity of the trading market for the Notes or that a trading market for the Notes will develop.

Market Value Fluctuation

Prevailing interest rates will affect the market price or value of the Notes. Assuming all other factors remain unchanged, the market price or value of the Notes may decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt securities decline.

Credit Ratings

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The credit ratings accorded to the Notes are not a recommendation to purchase, hold or sell the Notes, because ratings do not comment as to market price or suitability for a particular investor. There is no assurance that the ratings accorded to the Notes will remain in effect for any given period of time or that the ratings will not be revised or withdrawn entirely in the future by the relevant rating agency. Real or anticipated changes in credit ratings on the Notes may affect the market value of the Notes. In addition, real or anticipated changes in credit ratings can affect the cost of or terms on which the Corporation can issue debentures or incur other debt.

Risks Relating to the Unsecured Nature of the Notes

The Notes will be direct unsecured obligations of the Corporation ranking equally and *pari passu*, except as to sinking fund or analogous provisions, with all other unsecured and unsubordinated indebtedness of the Corporation. The Notes will be effectively subordinated to all existing and future secured debt of the Corporation, to the extent of the assets securing such debt. If the Corporation is involved in any bankruptcy, dissolution, liquidation or reorganization, the secured debt holders would be paid before the holders of Notes receive any amounts due under the Notes to the extent of the value of the assets securing the secured debt. In that event, a holder of Notes may not be able to recover any principal or interest due to it under the Notes.

Corporate Structure

The Corporation operates its business through, and a majority of its assets are held by, its subsidiaries, including partnerships. The Corporation's results of operations and ability to service indebtedness, including the Notes, are dependent upon the results of operations of its subsidiaries and the payment of funds by these subsidiaries to it in the form of loans, dividends or otherwise. The Corporation's subsidiaries will not have an obligation to pay amounts due pursuant to the Notes or make any funds available for payment of the Notes, whether by dividends, interests, loans, advances or other payments. In addition, the Corporation's subsidiaries may be subject to statutory or contractual restrictions that limit their ability to distribute cash to their ultimate shareholder, the Corporation.

The Notes will not be guaranteed by any subsidiaries of the Corporation and, accordingly, the Notes will be effectively subordinated to the current and future liabilities of the Corporation's subsidiaries. The creditors of those subsidiaries will have the right to be paid before payment on the Notes from any cash received or held by those subsidiaries. If the Corporation is involved in any bankruptcy, dissolution, liquidation or reorganization of one of those subsidiaries, following payment by the subsidiary of its liabilities, the subsidiary may not have sufficient assets to make payments to the Corporation in its capacity as shareholder of such subsidiary.

Floating Rate Notes

In the event that Notes are offered with a floating rate of interest, investment in the Floating Rate Notes will entail significant risks not associated with investments in fixed rate instruments. The resetting of the applicable interest rate of such Floating Rate Notes may result in lower interest compared to fixed rate instruments issued at the same time. The applicable rate on a Floating Rate Note will fluctuate in accordance with fluctuations in the instrument or obligation on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which the Corporation has no control.

Redemption of Notes

If Notes are redeemable at the Corporation's option, as set forth in the applicable pricing supplement or other prospectus supplement, the Corporation may choose to redeem the Notes from time to time, in accordance with its rights under the Indenture, including when prevailing interest rates are lower than the rates borne by the Notes. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes being redeemed. The Corporation's redemption right also may adversely impact a purchaser's ability to sell Notes as the optional redemption date or period approaches.

LEGAL MATTERS

Certain legal matters in connection with the issuance of Notes will be passed upon by Norton Rose Fulbright Canada LLP and, with respect to tax matters, by McCarthy Tétrault LLP, on behalf of TransAlta, and by Osler, Hoskin & Harcourt LLP, on behalf of the Dealers.

INTERESTS OF EXPERTS

As at the date of this prospectus supplement, the partners and associates of Norton Rose Fulbright Canada LLP, as a group, the partners and associates of McCarthy Tétrault LLP, as a group, and the partners and associates of Osler, Hoskin & Harcourt LLP, as a group, beneficially own, directly or indirectly, less than 1% of any class of securities of the Corporation. In connection with the audit of the Corporation's annual financial statements for the year ended December 31, 2012, Ernst & Young LLP confirmed that they are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus supplement, the accompanying prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF THE DEALERS

Dated: November 18, 2013

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, will, as of the date of the last supplement to the prospectus relating to the securities offered by the prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and the supplement as required by the securities legislation of each of the provinces of Canada.

RBC DOMINION SECURITIES INC.

BMO NESBITT BURNS INC.

By: (Signed) "Robert M. Brown"

By: (Signed) "Aaron M. Engen"

CIBC WORLD MARKETS INC.

HSBC SECURITIES (CANADA) INC.

By: (Signed) "Sean Gilbert"

By: (Signed) "Greg Gannett"

MERRILL LYNCH CANADA INC.

NATIONAL BANK FINANCIAL INC.

By: (Signed) "Timothy W. Watson"

By: (Signed) "Tushar Kittur"

SCOTIA CAPITAL INC.

TD SECURITIES INC.

By: (Signed) "Murray W. Neal"

By: (Signed) "Patrick Scace"

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Base Shelf Prospectus

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This short form prospectus has been filed under legislation in each of the provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. Unless otherwise specified in the applicable prospectus supplement, the securities offered hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws, and may not be offered, sold or delivered in the United States. Unless otherwise specified in the applicable prospectus supplement, this short form prospectus does not constitute an offer to sell or the solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request, without charge from the Vice-President and Corporate Secretary of TransAlta Corporation at P.O. Box 1900, Station "M", 110–12th Avenue S. W., Calgary, Alberta, T2P 2M1 (telephone (403) 267-7110) and are also available electronically at www.sedar.com.

SHORT FORM BASE SHELF PROSPECTUS

New Issue

November 15, 2011



TRANSALTA CORPORATION
\$2,000,000,000

Common Shares
First Preferred Shares
Warrants
Subscription Receipts
Debt Securities

We may from time to time offer and issue (i) common shares ("**Common Shares**"), (ii) first preferred shares ("**First Preferred Shares**"), (iii) warrants to purchase Common Shares, First Preferred Shares or other securities ("**Warrants**"), (iv) subscription receipts, each of which, once purchased, entitle the holder to receive upon satisfaction of certain release conditions, and for no additional consideration, one Common Share ("**Subscription Receipts**"), or (v) debt securities ("**debt securities**"), (the Common Shares, First Preferred Shares, Warrants, Subscription Receipts and debt securities are collectively referred to herein as the "**Securities**") up to an aggregate initial offering price of \$2,000,000,000 (or its equivalent in U.S. dollars or any other currency or currency unit used to denominate the Securities) during the 25 month period that this short form base shelf prospectus (the "**Prospectus**"), including any amendments hereto, remains valid.

No underwriter has been involved in the preparation of this Prospectus or performed any review of the contents of this Prospectus.

The specific terms of any offering of Securities will be set forth in a prospectus supplement or supplements (each, a "**Prospectus Supplement**") including, where applicable: (i) in the case of Common Shares, the number of Common Shares offered and the offering price; (ii) in the case of First Preferred Shares, the designation of the particular series, the number of First Preferred Shares offered, the offering price, any voting rights, any rights to receive dividends, any terms of redemption, any conversion or exchange rights and any other specific terms of the First Preferred Shares; (iii) in the case of Warrants, the designation, number and terms of the Common Shares, First Preferred Shares or other securities purchasable upon exercise of the Warrants, and any procedures that will result in the adjustment of those numbers, the exercise price, the dates and periods of exercise, the currency or currency unit in which the Warrants are issued and any other specific terms of the Warrants; (iv) in the case of the Subscription Receipts, the number of Subscription Receipts offered, the offering price, the terms, conditions and procedures for the conversion of such Subscription Receipts into Common Shares and any other specific terms of the Subscription Receipts; and (v) in the case of debt securities, the specific

(continued on next page)

designation of the debt securities, any limit on the aggregate principal amount of the debt securities, the currency or currency unit, the maturity, the offering price, whether payment on the debt securities will be senior or subordinated to our other liabilities and obligations, whether the debt securities will bear interest, the interest rate or method of determining the interest rate, any interest rate, any terms of redemption, any conversion or exchange rights and any other specific terms of the debt securities. We reserve the right to include in a Prospectus Supplement specific terms pertaining to the Securities that are not within the options and parameters set forth in this Prospectus. You should read this Prospectus and any applicable Prospectus Supplement before you invest in any Securities.

All shelf information permitted under applicable laws to be omitted from this Prospectus will be contained or incorporated by reference in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the applicable Prospectus Supplement and only for the purposes of the distribution of the Securities to which the applicable Prospectus Supplement pertains.

Our Common Shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "TA" and on the New York Stock Exchange ("NYSE") under the symbol "TAC". Our Cumulative Rate Reset First Preferred Shares, Series A (the "**Series A Shares**") are listed on the TSX under the symbol "TA.PR.D". On November 14, 2011, the closing price of the Common Shares and the Series A Shares on the TSX was \$21.55 and \$25.20, respectively, and on the NYSE the closing price for the Common Shares was US\$21.19. **There is currently no market through which additional series of First Preferred Shares, Warrants, Subscription Receipts or debt securities may be sold and purchasers may not be able to resell such Securities purchased under this Prospectus. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Securities, and the extent of issuer regulation. Investing in the Securities involves risks. See "Risk Factors" in this Prospectus and in any applicable Prospectus Supplement.**

We may sell the Securities to or through underwriters or dealers purchasing as principals, directly to one or more purchasers pursuant to applicable statutory exemptions or through agents. See "*Plan of Distribution*". The Prospectus Supplement relating to a particular offering of Securities will identify each underwriter, dealer or agent engaged in connection with the offering and sale of the Securities, and will set forth the terms of the offering of such Securities, including the method of distribution, the proceeds to us and any fees, discounts or any other compensation payable to underwriters, dealers or agents and any other material terms of offering of such Securities.

Unless otherwise specified in the applicable Prospectus Supplement, each series or issue of Securities (other than Common Shares) will be a new issue of Securities with no established trading market. The Securities may be sold from time to time in one or more transactions at a fixed price or prices or at non-fixed prices. If offered on a non-fixed price basis, the Securities may be offered at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices to be negotiated with purchasers, in which case the compensation payable to an underwriter, dealer or agent in connection with any such sale will be the amount, if any, by which the aggregate price paid for the Securities by the purchasers exceeds the gross proceeds paid by the underwriter, dealer or agent to us and the price at which the Securities will be offered and sold may vary as between purchasers during the distribution period.

In connection with any offering of Securities, the underwriters may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of the Securities at a level above that which otherwise might prevail on the open market. Such transactions may be commenced, interrupted or discontinued at any time. See "*Plan of Distribution*".

Our head and registered office is located at 110 – 12th Avenue S.W., Calgary, Alberta, T2R 0G7.

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS	1
DOCUMENTS INCORPORATED BY REFERENCE.....	2
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	3
TRANSALTA CORPORATION	4
USE OF PROCEEDS	5
CHANGES IN CONSOLIDATED CAPITALIZATION.....	5
EARNINGS COVERAGE RATIOS	5
DESCRIPTION OF SHARE CAPITAL	6
DESCRIPTION OF WARRANTS	8
DESCRIPTION OF SUBSCRIPTION RECEIPTS.....	9
DESCRIPTION OF DEBT SECURITIES	10
PRIOR SALES	12
MARKET FOR COMMON SHARES	13
CERTAIN INCOME TAX CONSIDERATIONS.....	14
PLAN OF DISTRIBUTION.....	14
RISK FACTORS	15
LEGAL MATTERS.....	15
EXPERTS	15
INTEREST OF EXPERTS	15
PURCHASER'S STATUTORY RIGHTS	15
CONTRACTUAL RIGHTS OF RESCISSION	15
CONSENT OF ERNST & YOUNG LLP.....	17
CERTIFICATE OF THE CORPORATION.....	18

ABOUT THIS PROSPECTUS

In this Prospectus and in any Prospectus Supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. "U.S. dollars" or "US\$" means lawful currency of the United States. Unless the context otherwise requires, all references in this Prospectus and any Prospectus Supplement to "TransAlta", the "Corporation", "we", "us" and "our" mean TransAlta Corporation and its consolidated subsidiaries including any consolidated partnerships of which the Corporation or any of its subsidiaries are partners.

This Prospectus provides a general description of the Securities that we may offer. Each time we offer and sell Securities under this Prospectus, we will provide you with a Prospectus Supplement that will contain specific information about the terms of that offering. The Prospectus Supplement may also add, update or change information contained in this Prospectus. Before investing in any Securities, you should read both this Prospectus and any applicable Prospectus Supplement together with additional information described below under "*Documents Incorporated by Reference*".

Unless otherwise specified, all financial information included and incorporated by reference in this prospectus has been prepared, for all periods prior to January 1, 2011, in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**") in effect prior to January 1, 2011 and, for all periods beginning on and after January 1, 2011, in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the Canadian Accounting Standards Board.

All information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be made available together with this Prospectus.

You should rely only on the information contained in or incorporated by reference in this Prospectus or any applicable Prospectus Supplement. We have not authorized anyone to provide you with different or additional information. We are not making an offer to sell these Securities in any jurisdiction where the offer or sale is not permitted by law. You should not assume that the information in this Prospectus, any applicable Prospectus Supplement or any documents incorporated by reference is accurate as of any date other than the date on the front of those documents as our business, operating results, financial condition and prospects may have changed since that date.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Corporation, filed with the securities commissions or similar authorities in each of the provinces of Canada, are specifically incorporated by reference in, and form an integral part of, this Prospectus, provided that such documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement contained in this Prospectus or in any other subsequently filed document that is also incorporated or deemed to be incorporated by reference in this Prospectus:

- (a) consolidated financial statements as at December 31, 2010 and 2009 and for each of the years in the three year period ended December 31, 2010, the notes thereto, the auditors' report thereon and the auditors' report on our internal control over financial reporting;
- (b) management's discussion and analysis of financial condition and results of operations as at and for the year ended December 31, 2010 ("**Annual MD&A**");
- (c) annual information form dated February 24, 2011 (the "**Annual Information Form**") for the year ended December 31, 2010;
- (d) management proxy circular dated March 10, 2011 prepared in connection with the Corporation's annual meeting of shareholders held on April 28, 2011;
- (e) unaudited consolidated interim financial statements as at and for the three and nine month periods ended September 30, 2011 and 2010 and the notes thereto;
- (f) management's interim discussion and analysis of the financial condition and results of operations as at and for the three and nine month periods ended September 30, 2011; and
- (g) material change report dated and filed July 27, 2011 relating to the retirement of Stephen G. Snyder as President and Chief Executive Officer, to be effective January 1, 2012 and the announcement that Dawn Farrell, current Chief Operating Officer, will succeed Mr. Snyder as President and Chief Executive Officer on January 2, 2012.

Any documents of the type required to be incorporated by reference in a short form prospectus pursuant to National Instrument 44-101 *Short Form Prospectus Distributions* ("**NI 44-101**") of the Canadian Securities Administrators, including any documents of the type referred to above, material change reports (excluding confidential material change reports) and business acquisition reports subsequently filed by the Corporation with any securities commissions or similar authorities in Canada after the date of this Prospectus and prior to the termination of any offering of Securities shall be deemed to be incorporated by reference into this Prospectus. These documents are available through the internet on the System for Electronic Document Analysis and Retrieval ("**SEDAR**"), which can be accessed at www.sedar.com.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Upon a new annual information form and related annual audited comparative consolidated financial statements and accompanying management's discussion and analysis being filed by the Corporation with, and where required, accepted by, the applicable securities regulatory authorities during the term of this Prospectus, the previous annual information form, the previous annual audited financial statements and accompanying management's discussion and analysis, all interim financial statements and accompanying management's discussion and analysis, all material change reports and all business acquisition reports filed by the Corporation prior to the commencement of the financial year of the Corporation in which the new annual information form and related annual audited comparative consolidated financial statements and accompanying management's

discussion and analysis are filed shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder. Upon interim financial statements and accompanying management's discussion and analysis being filed by the Corporation with the applicable securities regulatory authorities during the term of this Prospectus, all interim financial statements and accompanying management's discussion and analysis filed prior to the new interim consolidated financial statements shall be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Securities hereunder.

Updated earnings coverage ratios will be filed quarterly with the applicable securities regulatory authorities either as Prospectus Supplements or as exhibits to the Corporation's interim unaudited comparative consolidated financial statements and annual audited comparative consolidated financial statements and will be deemed to be incorporated by reference in this Prospectus for the purposes of the offering of the Securities.

A Prospectus Supplement containing the specific terms of any Securities offered thereunder will be delivered to purchasers of such Securities together with this Prospectus and will be deemed to be incorporated by reference into this Prospectus as of the date of such Prospectus Supplement solely for the purposes of the distribution of the Securities covered by such Prospectus Supplement.

Copies of the documents incorporated herein by reference (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents) may be obtained on request without charge from the Vice-President and Corporate Secretary of TransAlta, 110 – 12th Avenue S.W., Calgary, Alberta, Canada, T2P 0G7, Telephone (403) 267-7110.

Prospective investors should rely only on the information contained in or incorporated by reference in this Prospectus or any applicable Prospectus Supplement of which this Prospectus forms a part. The Corporation has not authorized anyone to provide prospective investors with different or additional information. The Corporation is not making an offer of these Securities in any jurisdiction where the offer is not permitted by law. Prospective investors should not assume that the information contained in or incorporated by reference in this Prospectus or any applicable Prospectus Supplement is accurate as of any date other than the date on the front of the applicable Prospectus Supplement.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus, including the documents incorporated by reference herein, contains both historical and forward-looking statements. All forward-looking statements are based on our beliefs as well as assumptions based on information available at the time the assumption was made and on management's experience and perception of historical trends, current conditions and expected future developments as well as other factors deemed appropriate in the circumstances. These forward-looking statements are not facts, but only predictions and generally can be identified by the use of statements that include phrases such as "may", "will", "believe," "expect," "anticipate," "intend," "plan," "foresee", "potential", "enable", "continue" or other words or phrases of similar import. Similarly, statements that describe the Corporation's objectives, plans or goals also are forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results to differ materially from those currently anticipated. In addition to the forward-looking statements contained in the documents incorporated by reference herein, this Prospectus contains, without limitation, forward-looking statements pertaining to the following: anticipated capacities of electricity generating facilities under construction; and certain terms of the Securities and any offering made under this Prospectus.

With respect to forward-looking statements contained in this Prospectus, we have made assumptions regarding, among other things: our ability to complete current construction projects according to planned specifications; our current construction projects when complete will operate as expected; our ability to maintain our existing operations; our ability to obtain financing on acceptable terms; and that terms of future offerings will be on the terms and conditions consistent with the current industry standards.

Certain factors that could materially affect these forward-looking statements are described below and are incorporated by reference in this Prospectus, as described under "*Risk Factors*" in this Prospectus. Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this document are made only as of the date of this Prospectus and the Corporation does not undertake to publicly update these forward-looking statements to reflect new information, future events or otherwise, except as required by applicable laws. In light of these risks, uncertainties and assumptions, the forward-looking events might or might not occur. The Corporation cannot assure you that projected results or events will be achieved.

Factors that may adversely impact the Corporation's forward-looking statements include risks relating to: fluctuations in market prices and availability of fuel supplies required to generate electricity and in the price of electricity; operational risks involving

the Corporation's facilities, including unplanned outages at such facilities; the regulatory and political environments in the jurisdictions in which the Corporation operates; environmental requirements and changes in, or liabilities under, these requirements; changes in general economic conditions including interest rates; execution and capital cost risks relating to the Corporation's development and construction projects; disruptions in the transmission and distribution of electricity; effects of weather; disruptions in the source of fuels, water or wind required to operate the Corporation's facilities; natural disasters; equipment failure; energy trading risks; industry risk and competition; fluctuations in the value of foreign currencies and foreign political risks; need for additional financing; liquidity risk; structural subordination of securities; counterparty credit risk; insurance coverage; the Corporation's provision for income taxes; legal and contractual proceedings involving the Corporation; reliance on key personnel; labour relations matters; development projects and acquisitions; and absence of a public market for certain of the Securities offered under this Prospectus. The foregoing risk factors, among others, are described in further detail under the heading "*Risk Factors*" in this Prospectus and in the documents incorporated by reference in this Prospectus, including the Annual MD&A and the Annual Information Form.

TRANSALTA CORPORATION

TransAlta is a corporation amalgamated under the *Canada Business Corporations Act*. The registered office and principal place of business of TransAlta are located at 110 – 12th Avenue S.W., Calgary, Alberta, Canada, T2R 0G7. For further information on the intercorporate relationships among TransAlta and its subsidiaries, please see "*Corporate Structure - Intercorporate Relationships*" in the Annual Information Form.

TransAlta and its predecessors have been engaged in the production and sale of electric energy since 1909. The Corporation is among Canada's largest non-regulated electric generation and energy marketing companies with an aggregate net ownership interest of approximately 8,250 megawatts ("MW") of generating capacity operating in facilities having approximately 10,129 MW of aggregate generating capacity⁽¹⁾. In addition, the Corporation has facilities under construction with a net and aggregate ownership interest of 127 MW of generating capacity in facilities for total net ownership of approximately 8,377 MW of generating capacity in facilities that have or will have aggregate capacity of 10,256 MW. The Corporation is focused on generating electricity in Canada, the United States and Australia through its diversified portfolio of facilities fuelled by coal, natural gas, hydroelectric, wind and geothermal resources.

In Canada, excluding assets under development, the Corporation holds a net ownership interest of approximately 5,971 MW of electrical generating capacity in thermal, natural gas-fired, wind-powered and hydroelectric facilities, including 4,707 MW in Western Canada, 1,040 MW in Ontario, 99 MW in Québec and 125 MW in New Brunswick.

In the United States, the Corporation's principal facilities include a 1,340 MW thermal facility and a 248 MW natural gas fired facility, both located in Centralia, Washington, which supply electricity to the Pacific Northwest. The Corporation also holds a 50% interest in CE Generation, LLC ("**CE Generation**"), through which it has an aggregate net ownership interest of approximately 385 MW of generating capacity in geothermal facilities in California and gas fired facilities in Texas, Arizona and New York. In addition, the Corporation has 6 MW of electrical generating capacity through hydroelectric facilities located in Washington and Hawaii.

In Australia, the Corporation has 300 MW of net electrical generating capacity from natural gas-fired generation facilities.

The Corporation regularly reviews its operations in order to optimize its generating assets and evaluates appropriate growth opportunities. The Corporation has in the past and may in the future make changes and additions to its fleet of coal, natural gas, hydro, wind and geothermal facilities.

The Corporation is organized into three business segments, Generation, Energy Trading and Corporate. The Generation group is responsible for constructing, operating and maintaining our electricity generation facilities. The Energy Trading group is responsible for the wholesale trading of electricity and other energy-related commodities and derivatives. It is also responsible for the management of available generating capacity as well as the fuel and transmission needs of the Generation business. Both segments are supported by a Corporate group that provides finance, tax, treasury, legal, regulatory, environmental, health and safety, sustainable development, corporate communications, investor and government relations, information technology, human resources, internal audit, and other administrative support.

¹ TransAlta measures capacity as the net maximum capacity that a unit can sustain over a period of time, which is consistent with industry standards. All capacity amounts are as of the date of this Prospectus and represent capacity owned and operated by the Corporation unless otherwise indicated.

USE OF PROCEEDS

Unless otherwise specified in a Prospectus Supplement, the net proceeds from the sale of the Securities will be used for general corporate purposes, which may include the repayment of indebtedness and the financing of the Corporation's long-term investment plan. The amount of net proceeds to be used for any such purpose will be set forth in the applicable Prospectus Supplement. The Corporation expects that it may, from time to time, issue securities (including Securities) other than pursuant to this Prospectus.

CHANGES IN CONSOLIDATED CAPITALIZATION

Other than the effect of changes in foreign currency exchange rates on U.S. dollar denominated loans, there have been no material changes in our consolidated share or debt capitalization during the period from September 30, 2011 through the date of this Prospectus.

The following table sets forth the consolidated capitalization of the Corporation as at December 31, 2010 and September 30, 2011, in each case, prepared in accordance with IFRS and indicates increases or decreases in applicable amounts between those two dates. The information in the table dated as at September 30, 2011 should be read in conjunction with the unaudited consolidated interim financial statements of the Corporation as at and for the three and nine month periods ended September 30, 2011, all of which have been incorporated by reference herein.

	As at December 31, 2010	As at September 30, 2011	Increase/Decrease
	(in millions, except Common Share amounts)		
Current Portion of Long-Term Debt ⁽¹⁾	\$237	\$320	\$83
Less: Cash and Cash Equivalents	35	66	31
	202	254	52
Long-Term Debt			
Recourse	3,451	3,572	121
Non-Recourse ⁽²⁾	372	374	2
Equity			
Common Shares	2,204 (220.3 Common Shares)	2,256 (222.9 Common Shares)	52 (2.6 Common Shares)
Preferred Shares	293	293	0
Contributed Surplus	7	8	1
Retained Earnings	431	567	136
Accumulated Other Comprehensive Income	185	(70)	(255)
Non-Controlling Interest ⁽³⁾	431	380	(51)
Total Equity	3,551	3,434	(117)
Total Capitalization	7,576	7,634	58

Notes:

- (1) Includes a \$225 million maturity in June 2011.
- (2) Includes all the debt of Canadian Hydro Developers, Inc., which is non-recourse to the Corporation
- (3) TransAlta Generation Partnership, a wholly-owned subsidiary of the Corporation, holds a direct 50.00% interest in TransAlta Cogeneration, L.P. TransAlta Cogeneration Ltd., which is a wholly-owned subsidiary of the Corporation and the general partner of TransAlta Cogeneration, L.P., hold a 0.01% interest in TransAlta Cogeneration, L.P. and the remaining 49.99% interest is held by Stanley Power Inc. CE Generation holds a 75% interest in the 240 MW Saranac gas-fired plant in Plattsburg, New York, and the Corporation holds an indirect 50% interest in CE Generation.

EARNINGS COVERAGE RATIOS

The following coverage ratios have been prepared in accordance with Canadian securities law requirements and are included in this Prospectus in accordance with Canadian disclosure requirements.

The following sets forth the Corporation's earnings coverage ratios calculated for the twelve month period ended December 31, 2010, and the twelve month period ended September 30, 2011. The earnings coverage ratios set forth below: (i) do not give effect to the issue of any Securities pursuant to this Prospectus; and (ii) do not purport to be indicative of earnings coverage ratios for any future periods. The earnings coverage ratios for the twelve months ended December 31, 2010 were calculated based on Canadian GAAP and for the twelve months ended September 30, 2011 were calculated based on unaudited financial information using IFRS.

	Twelve month period ended	
	December 31, 2010	September 30, 2011
Earnings coverage on long-term debt ⁽¹⁾	1.8 times	3.0 times
Earnings coverage on Series A Shares ⁽²⁾	1.8 times	2.9 times

Notes:

- (1) Earnings coverage on long-term debt on a net earnings basis is equal to net earnings plus net interest expense and income taxes divided by net interest expense including capitalized interest. For purposes of calculating the earnings coverage ratios set forth herein, long-term debt includes the current portion of long-term debt and does not include any amounts with respect to securities that may be issued under this Prospectus.
- (2) Earnings coverage on Series A Shares on a net earnings basis is equal to net earnings plus net interest expense and income taxes divided by net interest expense including capitalized interest and Series A Shares dividends grossed up to a before tax equivalent at a rate of 28%. For purposes of calculating the earnings coverage ratios set forth herein, long-term debt includes the current portion of long-term debt and does not include any amounts with respect to securities that may be issued under this Prospectus.

TransAlta evaluates its performance using a variety of measures. Earnings coverage discussed above is not defined under Canadian GAAP and therefore should not be considered in isolation or as an alternative to, or more meaningful than, net earnings as determined in accordance with Canadian GAAP as an indicator of the Corporation's financial performance or liquidity. This measure is not necessarily comparable to a similarly titled measure of another company. Net earnings has been calculated based on Canadian GAAP for the twelve month period ended December 31, 2010 and based on unaudited IFRS financial information for the twelve month period ended September 30, 2011. The earnings coverage ratio for the twelve months ended December 31, 2010 would have been 2.2 times had it been calculated on a consistent basis as the twelve months ended September 30, 2011 using unaudited IFRS financial information. The primary differences relate to the recognition of asset impairment losses, capitalization of major inspection costs and equity accounting treatment of certain joint ventures under IFRS.

DESCRIPTION OF SHARE CAPITAL

General

As of the date of this Prospectus, the Corporation's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of First Preferred Shares, issuable in series. As at November 14, 2011, 223,629,125 Common Shares were outstanding and 12,000,000 Cumulative Rate Reset First Preferred Shares, Series A, were outstanding.

Common Shares

The following description is subject to, and qualified by reference to, the terms and provisions of the Corporation's articles and by-laws.

Each Common Share of the Corporation entitles the holder thereof to one vote for each Common Share held at all meetings of shareholders of the Corporation, except meetings at which only holders of another specified class or series of shares are entitled to vote, to receive dividends if, as and when declared by the board of directors, subject to prior satisfaction of preferential dividends applicable to any First Preferred Shares, and to participate rateably in any distribution of the assets of the Corporation upon a liquidation, dissolution or winding up, subject to prior rights and privileges attaching to the First Preferred Shares. The Common Shares are not convertible and are not entitled to any pre-emptive rights. The Common Shares are not entitled to cumulative voting.

The transfer agent and registrar for the Common Shares in Canada is CIBC Mellon Trust Company at its principal transfer offices in Vancouver, British Columbia, Calgary, Alberta, Winnipeg, Manitoba, Toronto, Ontario and Montreal, Quebec. The transfer agent and registrar for the Common Shares in the United States is BNY Mellon Shareowner Services at its principal office in New York, New York.

The Common Shares offered pursuant to this Prospectus may include Common Shares issuable upon conversion or exchange of any First Preferred Shares of any series or upon exercise of any Warrants or upon conversion of any Subscription Receipts.

First Preferred Shares

The Corporation is authorized to issue an unlimited number of First Preferred Shares, issuable in series and, with respect to each series, the board of directors is authorized to fix the number of shares comprising the series and determine the designation, rights, privileges, restrictions and conditions attaching to such shares, subject to certain limitations.

The First Preferred Shares of all series rank senior to all other shares of the Corporation with respect to priority in payment of dividends and with respect to distribution of assets in the event of liquidation, dissolution or winding up of the Corporation, or a reduction of stated capital. Holders of First Preferred Shares are entitled to receive cumulative quarterly dividends on the subscription price thereof as and when declared by the board of directors at the rate established by the board of directors at the time of issue of shares of a series. No dividends may be declared or paid on any other shares of the Corporation unless all cumulative dividends accrued upon all outstanding First Preferred Shares have been paid or declared and set apart. In the event of the liquidation, dissolution or winding up of the Corporation, or a reduction of stated capital, no sum shall be paid or assets distributed to holders of other shares of the Corporation until the holders of First Preferred Shares shall have been paid the subscription price of the shares, plus a sum equal to the premium payable on a redemption, plus a sum equal to the arrears of dividends accumulated on the First Preferred Shares to the date of such liquidation, dissolution, winding up, or reduction of stated capital, as applicable. After payment of such amount, the holders of First Preferred Shares shall not be entitled to share further in the distribution of the assets of the Corporation.

The directors may include in the share conditions attaching to a particular series of First Preferred Shares certain voting rights effective upon the Corporation failing to make payment of six quarterly dividend payments, whether or not consecutive. These voting rights continue for so long as any dividends remain in arrears. These voting rights are the right to one vote for each \$25 of subscription price on all matters in respect of which shareholders vote, and additionally, the right of all series of First Preferred Shares, voting as a combined class, to elect two directors of the Corporation if the board of directors then consists of less than 16 directors, or three directors if the board of directors consists of 16 or more directors. Otherwise, except as required by law, the holders of First Preferred Shares shall not be entitled to vote or to receive notice of or to attend at any meeting of the shareholders of the Corporation.

Subject to the share conditions attaching to any particular series providing to the contrary, the Corporation may redeem First Preferred Shares of a series, in whole or from time to time in part, at the redemption price applicable to each series and the Corporation has the right to acquire any of the First Preferred Shares of one or more series by purchase for cancellation in the open market or by invitation for tenders at a price not to exceed the redemption price applicable to the series.

The Prospectus Supplement will set forth the following terms relating to the First Preferred Shares being offered:

- the maximum number of First Preferred Shares;
- the designation of the series;
- the offering price;
- the annual dividend rate and whether the dividend rate is fixed or variable, the date from which dividends will accrue, and the dividend payment dates;
- the price and the terms and conditions for redemption, if any, including redemption at TransAlta's option or at the option of the holder, including the time period for redemption, and payment of any accumulated dividends;
- the terms and conditions, if any, for conversion or exchange for shares of any other class of TransAlta or any other series of First Preferred Shares, or any other securities or assets, including the price or the rate of conversion or exchange and the method, if any, of adjustment;
- whether such First Preferred Shares will be listed on any securities exchange;
- the voting rights, if any; and
- any other rights, privileges, restrictions, or conditions.

First Preferred Shares will be fully paid and non-assessable upon issuance. The First Preferred Shares of any series may be represented, in whole or in part, by one or more global certificates. If First Preferred Shares are represented by a global certificate, each global certificate will:

- be registered in the name of a depository or a nominee of the depository identified in the applicable Prospectus Supplement; and
- be deposited with such depository or nominee or a custodian for the depository.

Related Party Articles Provisions

The articles of the Corporation contain provisions restricting the ability of the Corporation to enter into a "**Specified Transaction**" with a "**Major Shareholder**". A Specified Transaction requires the approval of a majority of the votes cast by holders

of voting shares of the Corporation, as well as the approval of a majority of the votes cast by holders of such voting shares, excluding any Major Shareholder. A Major Shareholder generally means the beneficial owner of more than 20% of the outstanding voting shares of the Corporation. There is a broad definition of beneficial ownership, and in particular, a person is considered to beneficially own shares owned by its associates and affiliates, as those terms are defined in the articles. Transactions which are considered to be Specified Transactions include the following: a merger or amalgamation of the Corporation with a Major Shareholder; the furnishing of financial assistance by the Corporation to a Major Shareholder; certain sales of assets or provision of services by the Corporation to a Major Shareholder or vice versa; certain issuances of securities by the Corporation which increase the proportionate voting interest of a Major Shareholder; a reorganization or recapitalization of the Corporation which increases the proportionate voting interest of a Major Shareholder; and the creation of a class or series of non-voting shares of the Corporation which has a residual right to participate in earnings of the Corporation and assets of the Corporation upon dissolution or winding up.

Shareholder Rights Plan

The Corporation implemented a shareholder rights plan (the "**Rights Plan**") pursuant to a Shareholder Bid Approval Plan Agreement (the "**Rights Plan Agreement**") dated as of October 13, 1992 between the Corporation and CIBC Mellon Trust Company. The holders of Common Shares reconfirmed the Rights Plan and approved the amendment and restatement, as of April 29, 2010, of the Rights Plan Agreement at the annual and special meeting of shareholders of the Corporation held on April 29, 2010. For further particulars, reference should be made to the Rights Plan Agreement, as amended and restated. A copy of the Rights Plan Agreement may be obtained by contacting the Vice President and Corporate Secretary, TransAlta Corporation, 110 - 12th Avenue S.W., Calgary, Alberta T2P 0G7; telephone: (403) 267-7110; fax (403) 267-2590; or by email: investorrelations@transalta.com. A copy of the Rights Plan Agreement can also be accessed on SEDAR at www.sedar.com and on the SEC's website at www.sec.gov.

DESCRIPTION OF WARRANTS

General

The Corporation may issue Warrants independently or together with other securities, and Warrants sold with other securities may be attached to or separate from the other securities. Warrants will be issued under one or more warrant agreements between the Corporation and a warrant agent that the Corporation will name in the applicable Prospectus Supplement.

Selected provisions of the Warrants and the warrant agreements are summarized below. This summary is not complete. The statements made in this Prospectus relating to any warrant agreement and Warrants to be issued thereunder are summaries of certain anticipated provisions thereof and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable warrant agreement.

The Prospectus Supplement will set forth the following terms relating to the Warrants being offered:

- the designation of the Warrants;
- the aggregate number of Warrants offered and the offering price;
- the designation, number and terms of the Common Shares, First Preferred Shares or other securities purchasable upon exercise of the Warrants, and procedures that will result in the adjustment of those numbers;
- the exercise price of the Warrants;
- the dates or periods during which the Warrants are exercisable;
- the designation and terms of any securities with which the Warrants are issued;
- if the Warrants are issued as a unit with another security, the date on and after which the Warrants and the other security will be separately transferable;
- the currency or currency unit in which the exercise price is denominated;
- any minimum or maximum amount of Warrants that may be exercised at any one time;
- whether such Warrants will be listed on any securities exchange;
- any terms, procedures and limitations relating to the transferability, exchange or exercise of the Warrants; and
- any other terms of the Warrants.

Warrant certificates will be exchangeable for new warrant certificates of different denominations at the office indicated in the Prospectus Supplement. Prior to the exercise of their Warrants, holders of Warrants will not have any of the rights of holders of the securities subject to the Warrants.

Modifications

The Corporation may amend the warrant agreements and the Warrants, without the consent of the holders of the Warrants, to cure any ambiguity, to cure, correct or supplement any defective or inconsistent provision, or in any other manner that will not materially and adversely affect the interests of holders of outstanding Warrants. Other amendment provisions shall be as indicated in the Prospectus Supplement.

Enforceability

The warrant agent will act solely as the Corporation's agent. The warrant agent will not have any duty or responsibility if the Corporation defaults under the warrant agreements or the warrant certificates. A Warrant holder may, without the consent of the warrant agent, enforce by appropriate legal action on its own behalf the holder's right to exercise the holder's Warrants.

DESCRIPTION OF SUBSCRIPTION RECEIPTS

The Corporation may issue Subscription Receipts, independently or together with other securities. Subscription Receipts will be issued under one or more subscription receipt agreements.

A Subscription Receipt is a security of the Corporation that will entitle the holder to receive one Common Share upon the completion of a transaction, typically an acquisition by us of the assets or securities of another entity. After the offering of Subscription Receipts, the subscription proceeds for the Subscription Receipts are held in escrow by the designated escrow agent, pending the completion of the transaction. Holders of Subscription Receipts will not have any rights of shareholders of the Corporation. Holders of Subscription Receipts are only entitled to receive Common Shares upon the surrender of their Subscription Receipts to the escrow agent or to a return of the subscription price for the Subscription Receipts together with any payments in lieu of interest or other income earned on the subscription proceeds.

Selected provisions of the Subscription Receipts and the subscription receipt agreements are summarized below. This summary is not complete. The statements made in this Prospectus relating to any subscription receipt agreement and Subscription Receipts to be issued thereunder are summaries of certain anticipated provisions thereof and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable subscription receipt agreement.

The Prospectus Supplement will set forth the following terms relating to the Subscription Receipts being offered:

- the designation of the Subscription Receipts;
- the aggregate number of Subscription Receipts offered and the offering price;
- the terms, conditions and procedures for which the holders of Subscription Receipts will become entitled to receive Common Shares;
- the number of Common Shares that may be obtained upon the conversion of each Subscription Receipt and the period or periods during which any conversion must occur;
- the designation and terms of any other securities with which the Subscription Receipts will be offered, if any, and the number of Subscription Receipts that will be offered with each security;
- the gross proceeds from the sale of such Subscription Receipts, including (if applicable) the terms applicable to the gross proceeds from the sale of such Subscription Receipts, plus any interest earned thereon;
- the material income tax consequences of owning, holding and disposing of such Subscription Receipts;
- whether such Subscription Receipts will be listed on any securities exchange;
- any terms, procedures and limitations relating to the transferability, exchange or conversion of the Subscription Receipts; and
- any other material terms and conditions of the Subscription Receipts.

DESCRIPTION OF DEBT SECURITIES

The following description of debt securities sets forth certain general terms and provisions of debt securities that may be offered under this Prospectus and in respect of which a Prospectus Supplement may be filed. The specific terms and provisions of any debt securities offered under this Prospectus, and the extent to which the general terms and provisions described below may apply thereto, will be described in the applicable Prospectus Supplement filed in respect of such offering.

Debt securities may be offered separately or in combination with one or more other Securities. The Corporation may also, from time to time, issue debt securities and incur additional indebtedness other than pursuant to debt securities issued under this Prospectus.

Debt securities will be issued under one or more indentures (each, a "**Debt Indenture**"), in each case between the Corporation and an appropriately qualified financial institution authorized to carry on business as a trustee (each, a "**Trustee**").

The following description sets forth certain general terms and provisions of debt securities. The description is not, however, exhaustive and is subject to, and qualified in its entirety by reference to, the detailed provisions of the applicable Debt Indenture. Accordingly, reference should also be made to the applicable Debt Indenture, a copy of which has been or will be filed by the Corporation with applicable provincial securities commissions or similar regulatory authorities in Canada after it has been entered into and before the issue of any debt securities thereunder, and is or will be available electronically on SEDAR at www.sedar.com.

General

Debt securities may be issued from time to time in one or more series. The Corporation may specify a maximum aggregate principal amount for the debt securities of any series and, unless otherwise provided in the applicable Prospectus Supplement, a series of debt securities may be reopened for issuance of additional debt securities of that series.

The particular terms and provisions of each issue of debt securities will be described in the applicable Prospectus Supplement. This description will include, as applicable:

- the designation, aggregate principal amount and authorized denominations of the debt securities;
- any limit upon the aggregate principal amount of the debt securities;
- the currency or currency units for which the debt securities may be purchased and in which the principal and any premium or interest is payable (in either case, if other than Canadian dollars);
- the offering price (at par, at a discount or at a premium) of the debt securities;
- the date(s) on which the debt securities will be issued and delivered;
- the date(s) on which the debt securities will mature, including any provision for the extension of a maturity date, or the method of determining such date(s);
- the rate(s) per annum (either fixed or floating) at which the debt securities will bear interest (if any) and, if floating, the method of determining such rate(s);
- the date(s) from which any interest obligation will accrue and on which interest will be payable, and the record date(s) for the payment of interest or the method of determining such date(s);
- if applicable, the provisions for subordination of the debt securities to other indebtedness of the Corporation;
- the identity of the Trustee under the applicable Debt Indenture pursuant to which the debt securities are to be issued;
- any redemption terms, or terms under which the debt securities may be defeased prior to maturity;
- any repayment or sinking fund provisions;
- any events of default applicable to the debt securities;
- whether the debt securities are to be issued in registered form or in the form of temporary or permanent global securities, and the basis of exchange, transfer and ownership thereof;
- whether the debt securities may be converted or exchanged for other securities of the Corporation or any other entity;

- if applicable, the ability of the Corporation to satisfy all or a portion of any redemption of the debt securities, payment of any premium or interest thereon, or repayment of the principal owing upon the maturity through the issuance of securities of the Corporation or of any other entity, and any restrictions on the persons to whom such securities may be issued;
- provisions applicable to amendment of the Debt Indenture; and
- any other material terms, conditions or other provisions (including covenants) applicable to the debt securities.

The Corporation reserves the right to include in a Prospectus Supplement specific terms and provisions pertaining to the debt securities in respect of which the Prospectus Supplement is filed that are not within the variables and parameters set forth in this Prospectus. To the extent that any terms or provisions or other information pertaining to the debt securities described in a Prospectus Supplement differ from any of the terms or provisions or other information described in this Prospectus, the description set forth in this Prospectus shall be deemed to have been superseded by the description set forth in the Prospectus Supplement with respect to those debt securities.

Ranking

The debt securities will be direct unsecured obligations of the Corporation, and will constitute senior or subordinated indebtedness of the Corporation as described in the applicable Prospectus Supplement. If the debt securities are senior indebtedness, they will rank equally and rateably with all other unsecured indebtedness of the Corporation from time to time issued and outstanding which is not subordinated. If the debt securities are subordinated indebtedness, they will be subordinated to senior indebtedness of the Corporation as described in the applicable Prospectus Supplement and their ranking with respect to other subordinated indebtedness of the Corporation from time to time outstanding will be as described in the applicable Prospectus Supplement. The Corporation reserves the right to specify in a Prospectus Supplement whether a particular series of subordinated debt securities is subordinated to any other series of subordinated debt securities.

Registration of Debt Securities

Debt Securities in Book Entry Form

Debt securities of any series may be issued, in whole or in part, in the form of one or more global securities ("**Global Securities**") registered in the name of a designated clearing agency (a "**Depository**") or its nominee and held by or on behalf of the Depository in accordance with the terms of the applicable Debt Indenture. The specific terms of the depository arrangement with respect to any portion of a series of debt securities to be represented by a Global Security will, to the extent not described herein, be described in the Prospectus Supplement relating to the series.

A Global Security may not be transferred, except as a whole between the Depository and a nominee of the Depository or as between nominees of the Depository, or to a successor Depository or nominee thereof, until it is wholly exchanged for debt securities in certificated non-book-entry form in accordance with the terms of the applicable Debt Indenture. So long as the Depository for a Global Security, or its nominee, is the registered owner of the Global Security, such Depository or nominee, as the case may be, will be considered the sole owner or holder of the debt securities represented by such Global Security for all purposes under the applicable Debt Indenture, and payments of principal, premium and interest, if any, on the debt securities represented by a Global Security will be made by the Corporation to the Depository or its nominee.

Owners of beneficial interests in a Global Security will not be entitled to have the debt securities represented by the Global Security registered in their names, will not receive or be entitled to receive physical delivery of the debt securities in certificated non-book-entry form, will not be considered the owners or holders thereof under the applicable Debt Indenture, and will be unable to pledge debt securities as security.

No Global Security may be exchanged, in whole or in part, for debt securities registered in the name of, and no transfer of a Global Security, in whole or in part, may be registered in the name of, any person other than the Depository for such Global Security or its nominee unless:

- there is a requirement to do so under applicable law;
- the book-entry system ceases to exist;
- the Corporation or the Depository advise the Trustee that the Depository is no longer willing or able to properly discharge its responsibilities as depository with respect to the debt securities, and the Corporation is unable to locate a qualified successor;

- the Corporation decides, at its option, to terminate the book-entry system through the Depository; or
- if provided for in the Debt Indenture, after the occurrence of an event of default thereunder (provided the Trustee has not waived the event of default in accordance with the terms of the Debt Indenture), participants acting on behalf of beneficial holders representing, in aggregate, a threshold percentage of the aggregate principal amount of the debt securities then outstanding advise the Depository in writing that the continuation of a book-entry system through the Depository is no longer in their interest,

whereupon such Global Security shall be exchanged for certificated non-book-entry debt securities of the same series in an aggregate principal amount equal to the principal amount of such Global Security and registered in such names and denominations as the Depository may direct.

Principal and interest payments, if any, on the debt securities represented by a Global Security registered in the name of a Depository or its nominee will be made to the Depository or its nominee, as the case may be, as the registered owner of the Global Security. Neither the Corporation, the Trustee nor any paying agent for the debt securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in such Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Corporation, any underwriters, dealers or agents and any Trustee identified in a Prospectus Supplement, as applicable, will not have any liability or responsibility for any of the following (i) records maintained by the Depository relating to beneficial ownership interests in the debt securities held by the Depository or the book-entry accounts maintained by the Depository, (ii) maintaining, supervising or reviewing any records relating to any such beneficial ownership interests, and (iii) any advice or representation made by or with respect to the Depository and contained in this Prospectus or in any Prospectus Supplement, or the applicable Debt Indenture, with respect to the rules and regulations of the Depository, or at the direction of Depository participants.

Unless otherwise stated in the applicable Prospectus Supplement, CDS Clearing and Depository Services Inc. or its successor will act as Depository for any debt securities represented by a Global Security.

Debt Securities in Certificated Form

Debt securities of any series may be issued, in whole or in part, in registered form as provided in the applicable Debt Indenture.

In the event that the debt securities are issued in certificated non-book-entry form, principal and interest, if any, will be payable, the transfer of the debt securities will be registerable and the debt securities will be exchangeable for debt securities in other denominations of a like aggregate principal amount at the office or agency maintained by the Trustee. Payment of principal and interest, if any, on debt securities in certificated, non-book-entry form may be made by cheque or bank draft mailed to the address of the holders entitled thereto.

Transfers and Exchanges of Debt Securities

Subject to the foregoing limitations, debt securities of any authorized form or denomination issued under the applicable Debt Indenture may be transferred or exchanged for debt securities of any other authorized form or denomination, with any such transfer or exchange to be for an equivalent aggregate principal amount of debt securities of the same series, carrying the same rate of interest and same redemption and other provisions as the debt securities so transferred or exchanged. Exchanges of debt securities of any series may be made at the offices of the applicable Trustee and at such other places as the Corporation may from time to time designate with the approval of the applicable Trustee and may be specified in the applicable Prospectus Supplement. Unless otherwise specified in the applicable Prospectus Supplement, the applicable Trustee will be the registrar and transfer agent for the debt securities issued under the applicable Debt Indenture.

PRIOR SALES

We issued the following Securities during the 12 month period prior to the date of this Prospectus:

1. on December 10, 2010, we issued 12,000,000 Cumulative Rate Reset First Preferred Shares, Series A for aggregate consideration of approximately \$300 million;

2. from November 1, 2010 up to and including November 14, 2011, we issued an aggregate of 50,605 Common Shares pursuant to our share option plan at prices between \$17.11 (US\$13.09) and \$21.60 (US\$20.75);
3. on January 1, 2011, we issued an aggregate of 827,816 Common Shares at a price of \$20.54 per Common Share pursuant to our dividend reinvestment and share purchase plan;
4. on April 1, 2011, we issued an aggregate of 812,794 Common Shares at a price of \$19.89 per Common Share pursuant to our dividend reinvestment and share purchase plan;
5. on July 1, 2011, we issued an aggregate of 847,424 Common Shares at a price of \$19.93 per Common Share pursuant to our dividend reinvestment and share purchase plan; and
6. on October 1, 2011, we issued an aggregate of 755,028 Common Shares at a price of \$21.78 per Common Share pursuant to our dividend reinvestment and share purchase plan.

For additional information on previously issued Securities, see our consolidated financial statements as at and for the year ended December 31, 2010 and our unaudited consolidated financial statements as at and for the three and nine month periods ended September 30, 2011, all of which have been incorporated by reference herein.

We have not issued any Warrants, Subscription Receipts or debt securities during the 12-month period prior to the date of this Prospectus.

MARKET FOR COMMON SHARES

Our Common Shares and Series A Shares are listed and traded on the TSX under the symbol "TA" and "TA.PR.D" respectively. The following tables set forth certain trading information for our Common Shares and Series A Shares during the periods indicated as reported by the TSX. For additional trading information relating to our Common Shares, see "Market for Securities" in our Annual Information Form.

<u>Period</u>	<u>Common Share Price (\$) High</u>	<u>Common Share Price (\$) Low</u>	<u>Volume</u>
2010			
September	22.05	21.20	16,199,764
October	22.24	20.31	11,286,417
November	21.61	20.12	16,691,928
December	21.71	20.81	16,829,986
2011			
January	22.09	20.60	10,286,275
February	21.25	20.31	16,826,608
March	20.69	19.50	14,424,192
April	21.08	20.02	7,455,909
May	21.99	20.88	12,270,440
June	21.51	20.42	8,642,075
July	21.34	20.51	6,201,288
August	22.09	19.44	20,005,806
September	23.20	21.26	14,027,245
October	23.42	21.74	13,101,345
November (1-14)	22.10	21.47	5,306,987
Series A			
<u>Period</u>	<u>Shares (\$) High</u>	<u>Shares (\$) Low</u>	<u>Volume</u>
2010			
December (10 - 31) ¹	26.00	24.75	1,247,242
2011			
January	25.50	25.00	494,424
February	25.45	24.59	240,361
March	25.34	24.50	195,505
April	25.23	24.80	225,573

May.....	25.40	25.00	188,339
June.....	25.48	24.61	361,784
July	25.35	24.80	115,272
August	25.63	24.85	168,191
September	25.79	25.00	150,821
October	25.75	24.90	226,538
November (1-14)	25.23	25.00	200,293

Note:

(1) The Series A Shares commenced trading on December 10, 2010.

CERTAIN INCOME TAX CONSIDERATIONS

The applicable Prospectus Supplement may describe certain Canadian federal income tax consequences to an investor who is a resident of Canada with respect to the acquisition, ownership and disposition of any Securities offered thereunder. In addition, the applicable Prospectus Supplement will describe certain Canadian federal income tax consequences to an investor who is a non-resident of Canada and who acquires any Securities offered thereunder, including whether the payments of dividends on Common Shares or First Preferred Shares or payments of principal, premium, if any, and interest on debt securities will be subject to Canadian non-resident withholding tax.

PLAN OF DISTRIBUTION

The Corporation may sell the Securities to or through underwriters or dealers and also may sell the Securities directly to purchasers pursuant to applicable statutory exemptions or through agents.

The distribution of the Securities of any series may be effected from time to time in one or more transactions at a fixed price or prices or at non-fixed prices. If offered on a non-fixed price basis the Securities may be offered at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices to be negotiated with purchasers, in which case the compensation payable to an underwriter, dealer or agent in connection with any such sale will be the amount, if any, by which the aggregate price paid for the Securities by the purchasers exceeds the gross proceeds paid by the underwriter, dealer or agent to us and the price at which the Securities will be offered and sold may vary as between purchasers during the distribution period.

In connection with the sale of the Securities, underwriters may receive compensation from the Corporation or from purchasers of the Securities for whom they may act as agents in the form of concessions or commissions. Underwriters, dealers and agents that participate in the distribution of the Securities may be deemed to be underwriters and any commissions received by them from the Corporation and any profit on the resale of the Securities by them may be deemed to be underwriting commissions.

The Prospectus Supplement relating to each series of the Securities will also set forth the terms of the offering of the Securities, including to the extent applicable, the initial offering price, the proceeds to the Corporation, the underwriting concessions or commissions, and any other discounts or concessions to be allowed or re-allowed to dealers. Underwriters with respect to each series sold to or through underwriters will be named in the Prospectus Supplement relating to such series.

In connection with any offering of Securities, the underwriters may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of the Securities at a level above that which otherwise might prevail on the open market. Such transactions may be commenced, interrupted or discontinued at any time.

Under agreements which may be entered into by the Corporation, underwriters, dealers and agents who participate in the distribution of the Securities may be entitled to indemnification by the Corporation against certain liabilities, including liabilities under the securities legislation of each of the provinces of Canada.

Each series of the Securities (other than Common Shares) will be a new issue of securities with no established trading market. Unless otherwise specified in a Prospectus Supplement relating to a series of Securities, the Securities (other than Common Shares) will not be listed on any securities exchange. Certain broker dealers may make a market in the Securities, but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that any broker dealer will make a market in the Securities of any series or as to the liquidity of the trading market, if any, for the Securities of any series.

This short form prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Securities in the United States. Unless otherwise specified in the applicable Prospectus Supplement, the Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws, and may not be

offered, sold or delivered in the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. Each underwriter, dealer and agent will agree that it will not offer, sell or deliver Securities within the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

RISK FACTORS

Prospective purchasers of the Securities should consider carefully the risk factors and the other information contained and incorporated by reference in this Prospectus and the applicable Prospectus Supplement before purchasing the Securities offered hereby. Information regarding the risks affecting the Corporation and its business is provided in the documents incorporated by reference in this Prospectus, including the Annual MD&A under the heading "*Risk Factors*" and "*Risk Management*", the Annual Information Form under the heading "*Risk Factors*" and the management's discussion and analysis of financial conditions and results of operations as at and for the three and nine month periods ended September 30, 2011 under the heading "*2011 Outlook*". See "*Documents Incorporated by Reference*".

LEGAL MATTERS

Unless otherwise specified in the Prospectus Supplement relating to the Securities, certain legal matters in connection with the offering of Securities will be passed upon for the Corporation by Macleod Dixon LLP, Calgary, Alberta, Canada. In addition, certain legal matters in connection with any offering of Securities will be passed upon for any underwriters, dealers or agents by counsel to be designated at the time of the offering by such underwriters, dealers or agents.

EXPERTS

The audited comparative consolidated financial statements of the Corporation as at December 31, 2010 and 2009 and for each of the years in the three year period ended December 31, 2010, the notes thereto, and the auditor's report on management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2010 have been incorporated by reference herein, in reliance upon the reports of Ernst & Young LLP, Chartered Accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

INTEREST OF EXPERTS

The partners and associates of Macleod Dixon LLP as a group beneficially own, directly or indirectly, less than 1% of any class of securities of the Corporation.

PURCHASER'S STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

CONTRACTUAL RIGHTS OF RESCISSION

Original purchasers of Subscription Receipts and of debt securities which are convertible into other securities of the Corporation or of Warrants offered separately will have a contractual right of rescission against the Corporation in respect of the conversion, exchange or exercise of such a Subscription Receipt, debt security or Warrant. The contractual right of rescission will entitle such original purchasers to receive the amount paid upon conversion, exchange or exercise, upon surrender of the underlying securities gained thereby, in the event that this Prospectus (as supplemented or amended) contains a misrepresentation, provided that: (i) the conversion, exchange or exercise takes place within 180 days of the date of the purchase of the convertible, exchangeable or exercisable security under this Prospectus; and (ii) the right of rescission is exercised within 180 days of the date of the purchase of the convertible, exchangeable or exercisable security under this Prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under section 203 of the Securities Act (Alberta), and is in addition to any other right or remedy available to original purchasers under section 203 the Securities Act (Alberta) or otherwise at law. Original purchasers are further

advised that in certain provinces the statutory right of action for damages in connection with a prospectus misrepresentation is limited to the amount paid for the convertible, exchangeable or exercisable security that was purchased under a prospectus, and therefore a further payment at the time of conversion, exchange or exercise may not be recoverable in a statutory action for damages. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights, or consult with a legal advisor.

CONSENT OF ERNST & YOUNG LLP

We have read the short form base shelf prospectus of TransAlta Corporation (the "**Corporation**") dated November 15, 2011, relating to the issue and sale of (i) common shares, (ii) first preferred shares, (iii) warrants to purchase common shares, first preferred shares or other securities of the Corporation, (iv) subscription receipts, each of which entitle the holder to receive upon satisfaction of certain release conditions, and for no additional consideration, one common share, or (v) debt securities up to an aggregate initial offering price of \$2,000,000,000 (the "**Prospectus**"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference, in the above mentioned Prospectus of our reports to the Shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2010 and 2009 and the consolidated statements of earnings and retained earnings, comprehensive income and cash flows for each of the years in the three year period ended December 31, 2010 and our report on the effectiveness of internal control over financial reporting as of December 31, 2010. Our reports are dated February 23, 2011.

We also consent to the reference to our firm under the caption "Experts" in the Prospectus.

We also consent to the reference to our firm under the caption *Interests of Experts* in the Annual Information Form dated February 24, 2011 which is incorporated by reference in the Prospectus.

November 15, 2011
Calgary, Canada

(Signed) ERNST & YOUNG LLP

Chartered Accountants

CERTIFICATE OF THE CORPORATION

DATED: November 15, 2011

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada.

(Signed) STEPHEN G. SNYDER
President and Chief Executive Officer

(Signed) BRETT GELLNER
Chief Financial Officer

On behalf of the Board of Directors

(Signed) WILLIAM D. ANDERSON
Director

(Signed) GORDON D. GIFFIN
Director