

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 December 9, 2013 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".*

The securities to be issued hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended and may not be offered, sold or delivered, directly or indirectly, in the United States of America or to or for the account or benefit of U.S. persons.

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 Legal 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 electronically at www.sedar.com.

PROSPECTUS SUPPLEMENT TO THE SHORT FORM BASE SHELF PROSPECTUS DATED DECEMBER 9, 2013

New Issue

August 8, 2014



TRANSALTA CORPORATION

\$150,000,000

6,000,000 Cumulative Redeemable Rate Reset First Preferred Shares, Series G

TransAlta Corporation (the "**Corporation**") is hereby qualifying the distribution (the "**Offering**") of 6,000,000 cumulative redeemable rate reset first preferred shares, Series G ("**Series G Shares**") of the Corporation at a price of \$25.00 per Series G Share. See "*Details of the Offering*" and "*Plan of Distribution*".

The holders of Series G Shares will be entitled to receive, as and when declared by the board of directors of the Corporation out of moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential cash dividends for the initial period (the "**Initial Fixed Rate Period**") from and including the date of issue of the Series G Shares to but excluding September 30, 2019, at an annual rate of \$1.325 per share, payable quarterly on the last day of March, June, September and December in each year (less any tax required to be deducted and withheld by the Corporation). If any such date is not a business day, the dividend will be paid on the next succeeding business day. Assuming an issue date of August 15, 2014, the first dividend, if declared, will be payable December 31, 2014 in the amount of \$0.501 per share.

For each five-year period after the Initial Fixed Rate Period (each a "**Subsequent Fixed Rate Period**", as defined herein), the holders of Series G Shares shall be entitled to receive, as and when declared by the board of directors of the Corporation, fixed cumulative preferential cash dividends, payable quarterly on the last day of March, June, September and December in each year, in the amount per share determined by multiplying one-quarter of the Annual Fixed Dividend Rate (as defined herein) for such Subsequent Fixed Rate Period by \$25.00 (less any tax required to be deducted and withheld by the Corporation). The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be determined by the Corporation on the Fixed Rate Calculation Date (as defined herein) and will be equal to the sum of the Government of Canada Yield (as defined herein) on the Fixed Rate Calculation Date plus a spread of 3.80%. This spread will apply to both the Series G Shares and the Series H Shares (as defined herein) and will remain unchanged over the life of the Series G Shares. See "*Details of the Offering*".

The Series G Shares shall not be redeemable prior to September 30, 2019. On September 30, 2019, and on September 30 in every fifth year thereafter, the Corporation may, at its option, upon not less than 30 days and not more than 60 days prior written notice, redeem for cash all or any part of the outstanding Series G Shares by the payment of \$25.00 per Series G Share plus all accrued and unpaid dividends (less any tax required to be deducted and withheld by the Corporation). See "*Details of the Offering*".

Option to Convert into Series H Shares

The holders of the Series G Shares will have the right to convert all or any of their shares into cumulative redeemable floating rate first preferred shares, Series H of the Corporation (the "**Series H Shares**"), subject to certain conditions, on September 30, 2019 and on September 30 in every fifth year thereafter. The holders of the Series H Shares will be entitled to receive, as and when declared by the board of directors of the Corporation, quarterly floating rate cumulative preferential cash dividends payable on the last day of March, June, September and December in each year (each such quarterly dividend period is referred to as a "**Quarterly Floating Rate Period**", as defined herein) in the amount per share determined by multiplying the Floating Quarterly Dividend Rate (as defined herein) for such Quarterly Floating Rate Period by \$25.00 and multiplying that product by a fraction, the numerator of which is the actual number of days in such Quarterly Floating Rate Period and the denominator of which is 365 or 366, depending upon the actual number of days in the applicable year (less any tax required to be deducted and withheld by the Corporation). If any such date is not a business day, the dividend will be paid on the next succeeding business day. The Floating Quarterly Dividend Rate will be the annual rate of interest equal to the sum of the T-Bill Rate (as defined herein) on the applicable Floating Rate Calculation Date (as defined herein) plus a spread of 3.80%. See

"Details of the Offering".

The Series G Shares and Series H Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two series they wish to hold and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights and redemption rights attached thereto, the Series G Shares and Series H Shares are identical in all material respects.

Price: \$25.00 per Series G Share to initially yield 5.30% per annum

	<u>Price to the Public</u>	<u>Underwriting Commission⁽¹⁾</u>	<u>Net Proceeds to the Corporation⁽²⁾</u>
Per Series G Share	\$25.00	\$0.75	\$24.25
Total⁽³⁾	\$150,000,000	\$4,500,000	\$145,500,000

- Notes:**
- (1) The Underwriters' fee for the Series G Shares is \$0.25 for each share sold to certain institutions by closing of the Offering, and \$0.75 per share for all other Series G Shares purchased by the Underwriters (as defined herein). The Underwriters' fee indicated in the table assumes that no Series G Shares are sold to such institutions.
 - (2) Before deducting the estimated expenses of the Offering of approximately \$500,000. The expenses of the Offering and the Underwriters' fee will be paid from the general funds of the Corporation.
 - (3) The Corporation has granted the Underwriters (as defined below) an option (the "**Underwriters' Option**"), exercisable at any time up to 48 hours prior to the closing time of the Offering on the Offering Closing Date (as defined below), to purchase up to an additional 2,000,000 Series G Shares at the offering price. If the Underwriters' Option is exercised in full, the total price to the public, the Underwriters' fee and the net proceeds to the Corporation, before expenses of the Offering and assuming that no Series G Shares are sold to certain institutions, will be \$200,000,000, \$6,000,000 and \$194,000,000, respectively. See "*Plan of Distribution*". The distribution of the Series G Shares that may be issued on the exercise of the Underwriters' Option are also qualified under the Prospectus, as supplemented by this Prospectus Supplement.

<u>Underwriters' Position</u>	<u>Maximum Size or Number of Securities Held</u>	<u>Exercise Period/Acquisition Date</u>	<u>Exercise Price or Average Acquisition Price</u>
Underwriters' Option	Option to acquire up to an additional 2,000,000 Series G Shares	Until 48 hours prior to the closing time for the Offering	\$25.00

There is no market through which the Series G Shares may be sold and purchasers may not be able to resell Series G Shares purchased under this Prospectus Supplement. This may affect the pricing of the Series G Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Series G Shares and the extent of issuer regulation. See "*Risk Factors*".

The Corporation has applied to the Toronto Stock Exchange (the "**TSX**") to list the Series G Shares and Series H Shares described in this Prospectus Supplement. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSX. There can be no assurance that the Series G Shares and Series H Shares will be accepted for listing on the TSX.

It is currently anticipated that the closing date of the Offering (the "**Offering Closing Date**") will be on or about August 15, 2014, or such later date as the Corporation and the Underwriters may agree but in any event not later than August 22, 2014. See "*Details of the Offering*".

The terms of the Offering were determined by negotiations between the Corporation and RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Canaccord Genuity Corp. and Desjardins Securities Inc. (collectively, the "**Underwriters**").

The Underwriters, as principals, conditionally offer the Series G Shares, subject to prior sale, if, as and when issued by the Corporation to, and accepted by, the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "*Plan of Distribution*", and subject to the approval of certain legal matters relating to the Offering on behalf of the Corporation by Norton Rose Fulbright Canada LLP, certain tax matters relating to the Offering on behalf of the Corporation by McCarthy Tétrault LLP, and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP.

Subscriptions for Series G Shares will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. The Series G Shares will be issued in book-entry only form, registered in the name of CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee and will be deposited with CDS on the Offering Closing Date. A purchaser of Series G Shares will receive only a customer confirmation from a registered dealer which is a CDS participant and from or through which the Series G Shares are purchased. See "*Depository Services*".

The earnings coverage ratios on long term debt and the preferred shares for the twelve month period ended June 30, 2014 are less than one-to-one and, since the Corporation had a loss for such period, the coverage ratios are negative. See "*Earnings Coverage Ratios*".

Subject to applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions which stabilize or maintain the market price of the Series G Shares at levels other than those which might otherwise prevail on the open market. **The Underwriters propose to offer the Series G Shares initially at the offering price specified above. After a reasonable effort has been made to sell all of the Series G Shares at the price specified, the Underwriters may reduce the selling price to investors from time to**

time in order to sell any of the Series G Shares remaining unsold. Any such reduction will not affect the proceeds received by the Corporation. See "Plan of Distribution".

A purchaser who acquires Series G Shares forming part of the Underwriters' over-allocation position acquires those securities under the Prospectus, as supplemented by this Prospectus Supplement, regardless of whether the over-allocation position is ultimately filled through secondary market purchases.

Georgia R. Nelson is a director of the Corporation who resides outside of Canada. Ms. Nelson has appointed the Corporation as agent for service of process at 110 - 12th 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 services of process.

In the opinion of McCarthy Tétrault LLP, tax counsel to the Corporation, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the Series G Shares and the Series H Shares issuable on a conversion of Series G Shares, if issued on the date hereof, would be, on such date, qualified investments under the *Income Tax Act* (Canada) and the regulations promulgated thereunder (the "**Tax Act**") for certain tax-exempt trusts. See "*Eligibility for Investment*".

Investing in the Series G Shares involves certain risks. See "Risk Factors" in the accompanying Prospectus and in this Prospectus Supplement.

Each of RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc. and HSBC Securities (Canada) Inc. is, directly or indirectly, a subsidiary or an affiliate of a lender which is one of the lenders to the Corporation or its subsidiaries and to which the Corporation or its subsidiaries is currently indebted. Consequently, the Corporation may be considered a connected issuer of such Underwriters for the purposes of securities regulations in certain provinces of Canada. The net proceeds from this Offering may be used to reduce the Corporation's indebtedness to such lenders. See "*Relationship Between the Corporation's Lenders and the Underwriters*" and "*Use of Proceeds*".

TABLE OF CONTENTS OF PROSPECTUS SUPPLEMENT

	Page
IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS.....	S-1
DOCUMENTS INCORPORATED BY REFERENCE.....	S-1
MARKETING MATERIALS.....	S-2
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS.....	S-2
USE OF PROCEEDS.....	S-3
CHANGES IN CONSOLIDATED CAPITALIZATION.....	S-3
TRADING PRICE AND VOLUME.....	S-3
DETAILS OF THE OFFERING.....	S-5
DEPOSITORY SERVICES.....	S-11
EARNINGS COVERAGE RATIOS.....	S-12
CREDIT RATINGS.....	S-12
PLAN OF DISTRIBUTION.....	S-13
RELATIONSHIP BETWEEN THE CORPORATION AND THE UNDERWRITERS.....	S-14
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	S-14
ELIGIBILITY FOR INVESTMENT.....	S-16
RISK FACTORS.....	S-17
LEGAL MATTERS.....	S-18
INTERESTS OF EXPERTS.....	S-18
AUDITORS, TRANSFER AGENT AND REGISTRAR.....	S-18
STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION.....	S-19
CERTIFICATE OF THE UNDERWRITERS.....	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
EARNINGS COVERAGE RATIOS.....	5
DESCRIPTION OF SHARE CAPITAL.....	5
DESCRIPTION OF WARRANTS.....	7
DESCRIPTION OF SUBSCRIPTION RECEIPTS.....	8
DESCRIPTION OF DEBT SECURITIES.....	9
OTHER MATTERS RELATING TO THE SECURITIES.....	10
PRIOR SALES.....	12
MARKET FOR SHARES.....	12
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	14
PLAN OF DISTRIBUTION.....	14
RISK FACTORS.....	15
LEGAL MATTERS.....	15
INTEREST OF EXPERTS.....	15
AUDITORS, TRANSFER AGENT AND REGISTRAR.....	15
PURCHASER'S STATUTORY RIGHTS.....	15
CONTRACTUAL RIGHTS OF RESCISSION.....	16
CERTIFICATE OF THE CORPORATION.....	C-1

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

This document is in two parts. The first part is this Prospectus Supplement, which describes the specific terms of the securities the Corporation is offering and also adds to and updates certain information contained in the Prospectus and the documents incorporated by reference therein. The second part, the Prospectus, gives more general information, some of which may not apply to the Series G Shares offered hereunder. Defined terms used in this Prospectus Supplement that are not defined herein have the meanings ascribed thereto in the Prospectus.

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 Underwriters have not, authorized anyone to provide you with different or additional information. We are not, and the Underwriters are not, making an offer to sell the Series G Shares in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this Prospectus Supplement or 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.

In this Prospectus Supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. References to "dollars" or "\$" are to lawful currency of Canada.

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**").

DOCUMENTS INCORPORATED BY REFERENCE

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 Series G Shares offered hereby. 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 commissions or similar authorities in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this Prospectus Supplement and the Prospectus:

- (a) consolidated audited annual financial statements as at December 31, 2013 and 2012, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2013, 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, 2013 ("**Annual MD&A**");
- (c) annual information form dated February 20, 2014 (the "**Annual Information Form**") for the year ended December 31, 2013;
- (d) condensed consolidated comparative interim unaudited financial statements as at and for the three and six month periods ended June 30, 2014 and 2013 and the notes thereto;
- (e) management's interim discussion and analysis of financial condition and results of operations as at and for the three and six month periods ended June 30, 2014;
- (f) management proxy circular dated March 10, 2014 prepared in connection with our annual and special meeting of shareholders held on April 29, 2014;
- (g) the material change report dated February 26, 2014 relating to the sale of the Corporation's interest in CE Generation, Blackrock development and Wailuku to MidAmerican Renewables and the resizing of the Corporation's dividend to an annualized amount of \$0.72 per common share; and
- (h) the template version of the term sheet dated August 6, 2014 prepared for potential investors in connection with the Offering and filed on SEDAR.

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, 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 Supplement and prior to the termination of the Offering shall be deemed to be incorporated by reference into this Prospectus Supplement and the Prospectus for the purposes of this Offering. 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 the Prospectus, this Prospectus Supplement or in a document incorporated or deemed to be incorporated by reference in the Prospectus or Prospectus Supplement shall be deemed to be modified or superseded for the purposes of the Prospectus and this Prospectus Supplement 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 or in the Prospectus 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 the Prospectus or this Prospectus Supplement. Without limiting the generality of the foregoing, any template version of marketing materials utilized in connection with the Offering are not part of this Prospectus Supplement or the Prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this 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 Legal and Corporate Secretary of the Corporation at 110 – 12th Avenue S.W., Calgary, Alberta, Canada T2P 0G7, Telephone (403) 267-7110.

MARKETING MATERIALS

Any "template version" of "marketing materials" (as those terms are defined in applicable securities legislation) pertaining to the distribution of the Series G Shares filed by the Corporation after the date of this Prospectus Supplement and before termination of the distribution of the Series G Shares, will be deemed to be incorporated by reference into this Prospectus Supplement for the purposes of the distribution of Series G Shares to which this Prospectus Supplement pertains.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, 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 further developments as well as other factors deemed appropriate in the circumstance. 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 and 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 Supplement contains, without limitation, forward-looking statements pertaining to the following: the anticipated closing of the Offering; and certain terms of the Series G Shares and the Series H Shares.

With respect to forward-looking statements contained in this Prospectus Supplement, we have made assumptions regarding, among other things: our ability to close the Offering on a timely basis and on the terms expected; fulfillment by the Underwriters of their obligations pursuant to the Underwriting Agreement; and that no event will occur which would allow the Underwriters to terminate their obligations under the Underwriting Agreement.

Certain factors that could materially affect these forward-looking statements are described below and are incorporated by reference in the Prospectus, as described under "*Risk Factors*" in this Prospectus Supplement and in the 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 Supplement 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 liability 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; the 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 the securities offered under this Prospectus Supplement. The foregoing risk factors, among others, are described in further detail under the heading "Risk Factors" in this Prospectus Supplement and in the Prospectus, and in the documents incorporated by reference in this Prospectus and in the Prospectus Supplement, including the Annual MD&A and the Annual Information Form.

USE OF PROCEEDS

The net proceeds to the Corporation from the Offering will be approximately \$145,000,000 after deducting \$4,500,000 in underwriting commission and \$500,000 in estimated expenses of the Offering. If the Underwriters exercise the Underwriters' Option in full, the net proceeds of the Offering will be approximately \$193,500,000 after deducting \$6,000,000 in underwriting commission and \$500,000 in estimated expenses of the Offering. The expenses of the Offering and the Underwriters' fee will be paid from the general funds of the Corporation.

The net proceeds of the Offering will be used for general corporate purposes in support of our business, to reduce short term indebtedness, which short term indebtedness was used to fund the Corporation's capital program and for general corporate purposes and to fund capital investments of the Corporation and its affiliates. The Corporation may invest funds that it does not immediately require in short term marketable debt securities.

CHANGES IN CONSOLIDATED CAPITALIZATION

Other than the effect of changes in foreign currency exchange rates on United States dollar denominated loans, there have been no material changes in the share and loan capital of the Corporation on a consolidated basis from June 30, 2014 to the date of this Prospectus Supplement. After giving effect to the Offering, the shareholders' equity of the Corporation will increase by the amount of the net proceeds of the Offering and the issued and outstanding Series G Shares will increase by 6,000,000 shares. In the event of the exercise in full of the Underwriters' Option, the shareholders' equity of the Corporation will increase by a further \$50,000,000 (less underwriting commission and expenses) and the number of issued and outstanding Series G Shares will increase by an additional 2,000,000 shares.

TRADING PRICE AND VOLUME

Our common shares ("**Common Shares**"), our cumulative redeemable rate reset first preferred shares, Series A ("**Series A Shares**"), our cumulative redeemable rate reset first preferred shares, Series C ("**Series C Shares**") and our cumulative redeemable rate reset first preferred shares, Series E ("**Series E Shares**") are listed and traded on the TSX under the symbol "TA", "TA.PR.D", "TA.PR.F" and "TA.PR.H", respectively. The following tables set forth certain trading information for our Common Shares, Series A Shares, Series C Shares and Series E 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 Shares Price (\$) High</u>	<u>Common Shares Price (\$) Low</u>	<u>Common Shares Volume</u>
2013			
July	15.17	14.02	14,907,926
August	14.33	13.33	10,129,791
September	13.80	13.20	9,073,139
October	14.55	13.26	14,057,290
November	14.78	13.88	16,658,288
December	14.18	13.30	12,976,377
2014			
January	14.66	13.41	14,621,490
February	14.97	12.43	30,265,151
March	13.12	12.51	18,036,710
April	13.57	12.60	16,589,651
May	13.55	12.90	14,648,189

June.....	13.09	12.63	10,949,642
July	13.21	12.32	10,573,315
August (1 - 7)	12.53	12.28	1,972,419

<u>Period</u>	<u>Series A Shares Price (\$) High</u>	<u>Series A Shares Price (\$) Low</u>	<u>Series A Shares Volume</u>
2013			
July	22.39	19.40	194,531
August	19.84	17.93	280,289
September.....	19.30	17.75	344,280
October.....	18.38	17.48	958,835
November.....	18.20	16.80	557,355
December.....	17.14	15.85	498,605

2014			
January	17.92	16.75	351,742
February	17.30	16.42	234,210
March	16.87	16.25	306,388
April	18.62	16.74	432,693
May.....	19.92	18.68	385,453
June.....	19.24	18.65	168,042
July	19.25	18.77	229,648
August (1 - 7)	19.00	18.67	34,904

<u>Period</u>	<u>Series C Shares Price (\$) High</u>	<u>Series C Shares Price (\$) Low</u>	<u>Series C Shares Volume</u>
2013			
July	23.44	20.10	192,368
August	21.74	18.91	338,590
September.....	21.59	19.90	283,726
October.....	20.48	19.69	250,614
November.....	19.95	18.67	608,199
December.....	19.07	18.05	719,193

2014			
January	20.56	19.00	385,319
February	20.50	19.80	212,813
March	20.29	19.72	219,370
April	21.65	19.97	212,068
May.....	22.40	21.49	420,108
June.....	22.14	21.20	376,039
July	22.40	22.00	218,159
August (1 - 7)	22.33	22.01	29,658

<u>Period</u>	<u>Series E Shares Price (\$) High</u>	<u>Series E Shares Price (\$) Low</u>	<u>Series E Shares Volume</u>
2013			
July	25.05	23.95	139,107
August	24.10	22.60	175,663
September.....	23.66	22.00	136,657
October.....	23.00	21.60	220,031
November.....	22.89	21.27	282,966
December.....	22.51	21.53	338,082

2014			
January	23.19	22.10	127,288
February	22.95	22.20	147,505
March	22.73	22.32	121,986
April	23.25	22.40	134,548
May.....	24.35	22.88	251,097
June.....	24.12	23.64	244,358
July	24.39	23.82	155,720
August (1 - 7)	24.49	23.50	30,785

DETAILS OF THE OFFERING

The following is a summary of the principal rights, privileges, restrictions and conditions attaching to the first preferred shares of the Corporation as a class and to be attached to the Series G Shares and Series H Shares. The Corporation will furnish on request a copy of the text of the provisions attaching to the first preferred shares as a class and the Series G Shares and Series H Shares, each as a series and such provisions will also be available on SEDAR at www.sedar.com.

Definition of Terms

The following definitions are relevant to the Series G Shares and the Series H Shares.

"Annual Fixed Dividend Rate" means, for any Subsequent Fixed Rate Period, the annual rate of interest (expressed as a percentage rounded to the nearest one hundred thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date and 3.80%.

"Dividend Payment Date" means the last day of March, June, September and December in each year, or if such date is not a business day, the next succeeding business day.

"Fixed Rate Calculation Date" means, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of such Subsequent Fixed Rate Period.

"Floating Quarterly Dividend Rate" means, for any Quarterly Floating Rate Period, the annual rate of interest (expressed as a percentage rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date and 3.80%.

"Floating Rate Calculation Date" means, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period.

"Government of Canada Yield" on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and that appears on the Bloomberg Screen GCAN5YR <Index> Page on such date; provided that if such rate does not appear on the Bloomberg Screen GCAN5YR <Index> Page on such date, then the Government of Canada Yield shall mean the arithmetic average of the yields quoted to the Corporation by two registered Canadian investment dealers selected by the Corporation as being the annual yield to maturity on such date, compounded semi-annually, that a non-callable Government of Canada bond would carry if issued, in Canadian dollars, at 100% of its principal amount on such date with a term to maturity of five years.

"Initial Fixed Rate Period" means the period from and including the date of issue of the Series G Shares to but excluding September 30, 2019.

"Quarterly Commencement Date" means the last day of December, March, June and September in each year, commencing September 30, 2019.

"Quarterly Floating Rate Period" means the period from and including a Quarterly Commencement Date to but excluding the next succeeding Quarterly Commencement Date.

"Series G Conversion Date" means September 30, 2019, and September 30, in every fifth year thereafter.

"Series H Conversion Date" means September 30, 2024, and September 30, in every fifth year thereafter.

"Subsequent Fixed Rate Period" means, for the initial Subsequent Fixed Rate Period, the period from and including September 30, 2019 to but excluding September 30, 2024, and for each succeeding Subsequent Fixed Rate Period means the period from and including the day immediately following the last day of the immediately preceding Subsequent Fixed Rate Period to but excluding September 30, in the fifth year thereafter.

"T-Bill Rate" means, for any Quarterly Floating Rate Period, the average yield expressed as an annual rate on 90 day Government of Canada treasury bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

Certain Provisions of the First Preferred Shares as a Class

The Corporation is authorized to issue an unlimited number of first preferred shares, issuable in series and, with respect to each series, the Board 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 at the rate established by the Board at the time of issue of shares of a series (less any tax required to be deducted and withheld by the Corporation). 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 (less any tax required to be deducted and withheld by the Corporation). 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 Board of Directors of the Corporation (the "**Board**") 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 \$25.00 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 then consists of less than 16 directors, or three directors if the Board 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 attend 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, plus costs of purchase.

Certain Provisions of the Series G Shares

Issue Price

The Series G Shares will have an issue price of \$25.00 per share.

Dividends on Series G Shares

During the Initial Fixed Rate Period, the holders of the Series G Shares shall be entitled to receive and the Corporation shall pay, as and when declared by the Board, out of the moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential cash dividends at an annual rate of \$1.325 per share, payable quarterly on each Dividend Payment Date in each year (less any tax required to be deducted and withheld by the Corporation). The first dividend, if declared, shall be payable on December 31, 2014 (less any tax required to be deducted and withheld by the Corporation), and, notwithstanding the foregoing, shall be in the amount per share determined by multiplying \$1.325 by the number of days in the period from and including the date of issue of the Series G Shares to but excluding December 31, 2014, and dividing that product by 365.

During each Subsequent Fixed Rate Period, the holders of the Series G Shares shall be entitled to receive and the Corporation shall pay, as and when declared by the Board, out of the moneys of the Corporation properly applicable to the payment of dividends, fixed cumulative preferential cash dividends, payable quarterly on each Dividend Payment Date (less any tax required to be deducted and withheld by the Corporation), in the amount per share determined by multiplying one-quarter of the Annual Fixed Dividend Rate for such Subsequent Fixed Rate Period by \$25.00.

On each Fixed Rate Calculation Date, the Corporation shall determine the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period. Each such determination shall, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series G Shares. The Corporation shall, on each Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Series G Shares.

Redemption of Series G Shares

The Series G Shares shall not be redeemable prior to September 30, 2019. Subject to the provisions described under "*Restrictions on Payments and Reductions of Capital*", on September 30, 2019, and on September 30 in every fifth year thereafter, the Corporation may, at its option, redeem all or any part of the Series G Shares by the payment of an amount in cash for each share to be redeemed equal to \$25.00 plus all accrued and unpaid dividends thereon to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation). Should any such date not be a business day, the redemption date will be the next succeeding business day.

Notice of any redemption of Series G Shares will be given by the Corporation not more than 60 days and not less than 30 days prior to the date fixed for redemption. If less than all of the outstanding Series G Shares are at any time to be redeemed, the shares so to be redeemed shall be selected by lot in such manner as the Board or the transfer agent, if any, appointed by the Corporation in respect of such shares shall decide, or, if the Board so decides, such shares may be redeemed pro rata (disregarding fractions).

If the Corporation gives notice to the holders of the Series G Shares of the redemption of all of the Series G Shares, the right of a holder of Series G Shares to convert such Series G Shares shall terminate and the Corporation shall not be required to give notice to the registered holders of the Series G Shares of an Annual Fixed Dividend Rate, a Floating Quarterly Dividend Rate or the conversion right of holders of Series G Shares.

Conversion of Series G Shares into Series H Shares

The Series G Shares shall not be convertible prior to September 30, 2019. Holders of Series G Shares shall have the right to convert on each Series G Conversion Date, subject to restrictions on conversion described below, all or any of their Series G Shares into Series H Shares on the basis of one Series H Share for each Series G Share. Notice of a holder's intention to convert Series G Shares must be received by the transfer agent and registrar for the Series G Shares at its principal office in Toronto or Calgary not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series G Conversion Date. Once received by the transfer agent and registrar on behalf of the Corporation, the election of a holder to convert is irrevocable.

The Corporation shall, not more than 60 days and not less than 30 days prior to the applicable Series G Conversion Date, give notice to the then registered holders of the Series G Shares of the conversion right. On the 30th day prior to each Series G Conversion Date, the Corporation shall give notice to the then registered holders of the Series G Shares of the Annual Fixed Dividend Rate for the Series G Shares for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate for the Series H Shares for the next succeeding Quarterly Floating Rate Period.

Holders of Series G Shares shall not be entitled to convert their shares into Series H Shares if the Corporation determines that there would remain outstanding on a Series G Conversion Date less than 1,000,000 Series H Shares, after having taken into account all Series G Shares tendered for conversion into Series H Shares and all Series H Shares tendered for conversion into Series G Shares. The Corporation shall give notice thereof to all affected registered holders of the Series G Shares at least seven days prior to the applicable Series G Conversion Date. Furthermore, if the Corporation determines that there would remain outstanding on a Series G Conversion Date less than 1,000,000 Series G Shares, after having taken into account all Series G Shares tendered for conversion into Series H Shares and all Series H Shares tendered for conversion into Series G Shares, then all of the remaining outstanding Series G Shares shall be converted automatically into Series H Shares on the basis of one Series H Share for each Series G Share on the applicable Series G Conversion Date and the Corporation shall give notice thereof to the then registered holders of such remaining Series G Shares at least seven days prior to the Series G Conversion Date.

The Corporation reserves the right not to deliver Series H Shares to any person that the Corporation or its transfer agent has reason to believe is a person whose address is in, or that the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada if such delivery would require the Corporation to take any action to comply with the securities laws of such jurisdiction.

The Series G Shares and Series H Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two series they wish to hold and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights and redemption rights attached thereto, the Series G Shares and Series H Shares are identical in all material respects.

Purchase for Cancellation

Subject to the provisions described under "*Restrictions on Payments and Reductions of Capital*", the Corporation may at any time or times purchase for cancellation all or any part of the Series G Shares at the lowest price or prices at which, in the opinion of the Board, such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Series G Shares shall be entitled to receive \$25.00 per Series G Share plus all accrued and unpaid dividends thereon (less any tax required to be deducted and withheld by the Corporation) before any amount shall be paid or any property or assets of the Corporation shall be distributed to the holders of the Common Shares or to the holders of any other shares ranking junior to the Series G Shares in any respect. After payment to the holders of the Series G Shares of the amount so payable to them, they shall not, as such, be entitled to share in any further distribution of the property or assets of the Corporation.

Restrictions on Payments and Reductions of Capital

So long as any Series G Shares are outstanding, the Corporation shall not:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Series G Shares) on the Common Shares or any other shares of the Corporation ranking junior to the Series G Shares with respect to payment of dividends, or
- (b) call for redemption of, purchase, reduce stated capital maintained by the Corporation or otherwise pay for any shares of the Corporation ranking junior to the Series G Shares with respect to repayment of capital or with respect to payment of dividends,

unless all dividends up to and including the dividends payable on the last preceding dividend payment dates on the Series G Shares and on all other preferred shares then outstanding ranking prior to or on a parity with the Series G Shares with respect to payment of dividends shall have been declared and paid or set apart for payment at the date of any such action.

Creation or Issue of Additional Shares

So long as any Series G Shares are outstanding, the Corporation shall not, without the prior approval of the holders of the Series G Shares, create or issue any shares ranking prior to or on a parity with the Series G Shares with respect to repayment of capital or payment of dividends, provided that the Corporation may without such approval issue additional series of first preferred shares if all dividends then payable on the Series G Shares and Series H Shares shall have been paid or set apart for payment.

Voting Rights

The holders of the Series G Shares are not entitled to any voting rights or to receive notice of or to attend shareholders' meetings unless dividends on the Series G Shares are in arrears to the extent of six quarterly dividends, whether or not consecutive. Until all arrears of dividends have been paid, holders of Series G Shares will be entitled to receive notice of and to attend all shareholders' meetings at which directors are to be elected (other than separate meetings of holders of another class or series of shares) and to one vote in respect of each Series G Share held 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 then consists of less than 16 directors, or three directors if the Board 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 attend any meeting of the shareholders of the Corporation.

Tax Election

The Series G Shares will be "taxable preferred shares" as defined in the Tax Act for purposes of the tax under Part IV.1 of the Tax Act applicable to certain corporate holders of the Series G Shares. The terms of the Series G Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that such corporate holders will not be subject to the tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series G Shares. See "*Certain Canadian Federal Income Tax Considerations — Dividends*".

Modification

The series provisions attaching to the Series G Shares may be amended with the written approval of all the holders of the Series G Shares outstanding or by at least two-thirds of the votes cast at a meeting of the holders of such shares duly called for that purpose and at which a quorum is present.

Business Day

If any day on which any dividend on the Series G Shares is payable by the Corporation or on or by which any other action is required to be taken by the Corporation is not a business day, then such dividend shall be payable and such other action may be taken on or

by the next succeeding day that is a business day. For the purposes hereof, "business day" shall mean a day on which banks are generally open for business in both Calgary, Alberta and Toronto, Ontario.

Certain Provisions of the Series H Shares

Issue Price

The Series H Shares will be issuable only upon conversion of Series G Shares and will have an ascribed issue price of \$25.00 per share.

Dividends on Series H Shares

During each Quarterly Floating Rate Period, the holders of the Series H Shares shall be entitled to receive and the Corporation shall pay, as and when declared by the Board, out of the moneys of the Corporation properly applicable to the payment of dividends, cumulative preferential cash dividends, payable on each Dividend Payment Date (less any tax required to be deducted and withheld by the Corporation), in the amount per share determined by multiplying the Floating Quarterly Dividend Rate for such Quarterly Floating Rate Period by \$25.00 and multiplying that product by a fraction, the numerator of which is the actual number of days in such Quarterly Floating Rate Period and the denominator of which is 365 or 366, depending upon the actual number of days in the applicable year.

On each Floating Rate Calculation Date, the Corporation shall determine the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period. Each such determination shall, in the absence of manifest error, be final and binding upon the Corporation and upon all holders of Series H Shares. The Corporation shall, on each Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to the registered holders of the then outstanding Series H Shares.

Redemption of Series H Shares

Subject to the provisions described under "*Restrictions on Payments and Reductions of Capital*", the Corporation may redeem all or any part of the Series H Shares by the payment of an amount in cash for each share to be redeemed equal to (i) \$25.00 in the case of redemptions on any Series H Conversion Date on or after September 30, 2024, or (ii) \$25.50 in the case of redemptions on any date after September 30, 2024 that is not a Series H Conversion Date, in each case plus all accrued and unpaid dividends thereon (less any tax required to be deducted and withheld by the Corporation) to but excluding the date fixed for redemption. Should any such date not be a business day, the redemption date will be the next succeeding business day.

Notice of any redemption of Series H Shares will be given by the Corporation not more than 60 days and not less than 30 days prior to the date fixed for redemption. If less than all of the outstanding Series H Shares are at any time to be redeemed, the shares so to be redeemed shall be selected by lot in such manner as the Board or the transfer agent, if any, appointed by the Corporation in respect of such shares shall decide, or, if the Board so decides, such shares may be redeemed pro rata (disregarding fractions).

If the Corporation gives notice to the holders of the Series H Shares of the redemption of all of the Series H Shares, the right of a holder of Series H Shares to convert such Series H Shares shall terminate and the Corporation shall not be required to give notice to the registered holders of the Series H Shares of an Annual Fixed Dividend Rate, a Floating Quarterly Dividend Rate or the conversion right of holders of Series H Shares.

Conversion of Series H Shares into Series G Shares

The Series H Shares shall not be convertible prior to September 30, 2024. Holders of Series H Shares shall have the right to convert on each Series H Conversion Date, subject to restrictions on conversion described below, all or any of their Series H Shares into Series G Shares on the basis of one Series G Share for each Series H Share. Notice of a holder's intention to convert Series H Shares must be received by the transfer agent and registrar for the Series H Shares at its principal office in Toronto or Calgary not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series H Conversion Date. Once received by the transfer agent and registrar on behalf of the Corporation, the election of a holder to convert is irrevocable.

The Corporation shall, not more than 60 days and not less than 30 days prior to the applicable Series H Conversion Date, give notice to the then registered holders of the Series H Shares of the conversion right. On the 30th day prior to each Series H Conversion Date, the Corporation shall give notice to the then registered holders of the Series H Shares of the Annual Fixed Dividend Rate for the Series G Shares for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate for the Series H Shares for the next succeeding Quarterly Floating Rate Period.

Holders of Series H Shares shall not be entitled to convert their shares into Series G Shares if the Corporation determines that there would remain outstanding on a Series H Conversion Date less than 1,000,000 Series G Shares, after having taken into account all Series G Shares tendered for conversion into Series H Shares and all Series H Shares tendered for conversion into Series G Shares. The Corporation

shall give notice thereof to all affected registered holders of the Series H Shares at least seven days prior to the applicable Series H Conversion Date. Furthermore, if the Corporation determines that there would remain outstanding on a Series H Conversion Date less than 1,000,000 Series H Shares, after having taken into account all Series G Shares tendered for conversion into Series H Shares and all Series H Shares tendered for conversion into Series G Shares, then all of the remaining outstanding Series H Shares shall be converted automatically into Series G Shares on the basis of one Series G Share for each Series H Share on the applicable Series H Conversion Date and the Corporation shall give notice thereof to the then registered holders of such remaining Series H Shares at least seven days prior to the Series H Conversion Date.

The Corporation reserves the right not to deliver Series G Shares to any person that the Corporation or its transfer agent has reason to believe is a person whose address is in, or that the Corporation or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada if such delivery would require the Corporation to take any action to comply with the securities laws of such jurisdiction.

The Series G Shares and Series H Shares are series of shares in the same class. The conversion right entitles holders to elect periodically which of the two series they wish to hold and does not entitle holders to receive a different class or type of securities. Other than the different dividend rights and redemption rights attached thereto, the Series G Shares and Series H Shares are identical in all material respects.

Purchase for Cancellation

Subject to the provisions described under "*Restrictions on Payments and Reductions of Capital*", the Corporation may at any time or times purchase for cancellation all or any part of the Series H Shares at the lowest price or prices at which, in the opinion of the Board, such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Series H Shares shall be entitled to receive \$25.00 per Series H Share plus all accrued and unpaid dividends thereon (less any tax required to be deducted and withheld by the Corporation) before any amount shall be paid or any property or assets of the Corporation shall be distributed to the holders of the Common Shares or to the holders of any other shares ranking junior to the Series H Shares in any respect. After payment to the holders of the Series H Shares of the amount so payable to them, they shall not, as such, be entitled to share in any further distribution of the property, or assets of the Corporation.

Restrictions on Payments and Reductions of Capital

So long as any Series H Shares are outstanding, the Corporation shall not:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Series H Shares) on the Common Shares or any other shares of the Corporation ranking junior to the Series H Shares with respect to payment of dividends, or
- (b) call for redemption of, purchase, reduce stated capital maintained by the Corporation or otherwise pay for any shares of the Corporation ranking junior to the Series H Shares with respect to repayment of capital or with respect to payment of dividends,

unless all dividends up to and including the dividends payable on the last preceding dividend payment dates on the Series H Shares and on all other preferred shares then outstanding ranking prior to or on a parity with the Series H Shares with respect to payment of dividends shall have been declared and paid or set apart for payment at the date of any such action.

Creation or Issue of Additional Shares

So long as any Series H Shares are outstanding, the Corporation shall not, without the prior approval of the holders of the Series H Shares, create or issue any shares ranking prior to or on a parity with the Series H Shares with respect to repayment of capital or payment of dividends, provided that the Corporation may without such approval issue additional series of first preferred shares if all dividends then payable on the Series G Shares and Series H Shares shall have been paid or set apart for payment.

Voting Rights

The holders of the Series H Shares are not entitled to any voting rights or to receive notice of or to attend shareholders' meetings unless dividends on the Series H Shares are in arrears to the extent of six quarterly dividends, whether or not consecutive. Until all arrears of dividends have been paid, holders of Series H Shares will be entitled to receive notice of and to attend all shareholders' meetings at which directors are to be elected (other than separate meetings of holders of another class or series of shares) and to one vote in respect of

each Series H Share held 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 then consists of less than 16 directors, or three directors if the Board 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 attend any meeting of the shareholders of the Corporation.

Tax Election

The Series H Shares will be "taxable preferred shares" as defined in the Tax Act for purposes of the tax under Part IV.1 of the Tax Act applicable to certain corporate holders of the Series H Shares. The terms of the Series H Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that such corporate holders will not be subject to the tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series H Shares. See "*Certain Canadian Federal Income Tax Considerations — Dividends*".

Modification

The series provisions attaching to the Series H Shares may be amended with the written approval of all the holders of the Series H Shares outstanding or by at least two-thirds of the votes cast at a meeting of the holders of such shares duly called for that purpose and at which a quorum is present.

Business Day

If any day on which any dividend on the Series H Shares is payable by the Corporation or on or by which any other action is required to be taken by the Corporation is not a business day, then such dividend shall be payable and such other action may be taken on or by the next succeeding day that is a business day. For the purposes hereof, "business day" shall mean a day on which banks are generally open for business in both Calgary, Alberta and Toronto, Ontario.

DEPOSITORY SERVICES

The Series G Shares and Series H Shares will be issued in "book entry only" form and must be purchased or transferred through a participant in the CDS depository service ("**CDS Participant**"). The Corporation will cause a global certificate or certificates or, alternatively, an instant deposit, in each case, representing any newly issued Series G Shares or Series H Shares to be delivered to, and registered in the name of, CDS or its nominee. All rights of holders of Series G Shares or Series H Shares must be exercised through, and all payments or other property to which such holder of Series G Shares or Series H Shares, as the case may be, is entitled, will be made or delivered by, CDS or the CDS Participant through which the holder of Series G Shares or Series H Shares holds such shares. Each person who acquires Series G Shares or Series H Shares will receive only a customer confirmation of purchase from the registered dealer from or through which the Series G Shares or Series H Shares are acquired in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS is responsible for establishing and maintaining book entry accounts for its CDS Participants having interests in the Series G Shares or Series H Shares.

The ability of a beneficial owner of Series G Shares or Series H Shares to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Corporation has the option to terminate registration of the Series G Shares and Series H Shares through the book entry only system, in which event certificates for Series G Shares and Series H Shares in fully registered form will be issued to the beneficial owners of such shares or their nominees.

Neither the Corporation nor the Underwriters will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Series G Shares or Series H Shares held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Series G Shares or Series H Shares; or (c) any advice or representation made by or with respect to CDS and those contained in this Prospectus Supplement and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its CDS Participants. The rules governing CDS provide that it acts as the agent and depository for the CDS Participants. As a result, CDS Participants must look solely to CDS and persons, other than CDS Participants, having an interest in the Series G Shares or Series H Shares must look solely to CDS Participants for payments made by or on behalf of the Corporation to CDS in respect of the Series G Shares or Series H Shares.

If (i) required by applicable law, (ii) the book entry only system ceases to exist, (iii) CDS advises the Corporation that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Series G Shares or Series H Shares and the Corporation is unable to locate a qualified successor, or (iv) the Corporation, at its option, decides to terminate the book entry only system, then certificates representing the Series G Shares and Series H Shares, as applicable, will be made available.

EARNINGS COVERAGE RATIOS

The following coverage ratios have been prepared in accordance with Canadian securities law requirements and are included in this Prospectus Supplement 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, 2013, and the twelve month period ended June 30, 2014. The following ratios give pro forma effect to the issuance of the Series G Shares pursuant to this Prospectus Supplement (excluding any Series G Shares issued upon exercise of the Underwriters' Option). Adjustments for other normal course issuances and repayments of long-term debt subsequent to June 30, 2014 would not materially affect the ratios and, as a result, have not been made. The earnings coverage ratios for the twelve months ended December 31, 2013 and for the twelve months ended June 30, 2014 were calculated based on IFRS.

	Twelve month period ended	
	December 31, 2013	June 30, 2014
Earnings coverage on long term debt ⁽¹⁾	0.9 times	1.0 times
Earnings coverage on preferred shares ⁽²⁾	0.7 times	0.8 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.
 - (2) Earnings coverage on preferred 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 preferred shares dividends grossed up to a before tax equivalent at a rate of 25%. For purposes of calculating the earnings coverage ratios set forth herein, long-term debt includes the current portion of long-term debt.

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 the Corporation's financial performance or liquidity. This measure is not necessarily comparable to a similarly titled measure of another company.

The Corporation's dividend requirements on all of its preferred shares, after giving effect to the issue of the Series G Shares to be distributed under this Prospectus Supplement, and adjusted to a before-tax equivalent using an effective income tax rate of 25%, amounted to approximately \$61 million and \$61 million for the 12 months ended December 31, 2013 and for the 12 months ended June 30, 2014, respectively. The Corporation's borrowing costs for the 12 months ended December 31, 2013 and for the 12 months ended June 30, 2014 amounted to approximately \$240 million and \$241 million, respectively. The Corporation's earnings (loss) before interest and income tax for the 12 months ended December 31, 2013 and for the 12 months ended June 30, 2014 were approximately \$215 million and \$235 million, respectively, which is 0.7 times and 0.8 times the Corporation's aggregate dividend and borrowing costs for these periods. The Corporation would have required additional earnings of \$6 million in respect of long term debt and \$67 million in respect of the preferred shares for the 12 months ended June 30, 2014, in order to achieve an earnings coverage ratio of one-to-one for such period.

CREDIT RATINGS

The Series G Shares have been rated Pfd-3 by DBRS Limited ("**DBRS**") and P-3 by Standard & Poor's ("**S&P**") (DBRS and S&P are each a "**Rating Agency**"). Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. The Rating Agencies' ratings for preferred shares range from a high of Pfd-1 to a low of D for DBRS and from a high of P-1 to a low of D for S&P.

According to the DBRS rating system, securities rated Pfd-3 are of adequate credit quality and are within the third highest of six rating categories used by DBRS for preferred shares. "High" or "low" grades are used to indicate the relative standing within a rating category. According to the S&P rating system, securities rated P-3 are less vulnerable to non-payment than other speculative issues and are within the third highest of eight rating categories used by S&P on its Canadian scale for preferred shares. The ratings from P-1 to P-5 may be modified by "high", "mid" and "low" grades which indicate relative standing within the major rating categories.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. The credit ratings assigned to the Series G Shares may not reflect the potential impact of all risks on the value of the Series G Shares. The credit ratings accorded to the Series G Shares by the Rating Agencies are not recommendations to purchase, hold or sell such shares inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a Rating Agency in the future if, in its judgment, circumstances so warrant. The withdrawal or lowering of any rating of the Series G Shares may negatively affect the quoted market price, if any, of such shares.

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

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated August 8, 2014 between the Corporation and the Underwriters, the Corporation has agreed to sell an aggregate of 6,000,000 Series G Shares to the Underwriters, and the Underwriters have severally (and not jointly or jointly and severally) agreed to purchase from the Corporation, as principal, such Series G Shares at a price of \$25.00 per Series G Share payable in cash against delivery on the Offering Closing Date. The Underwriting Agreement provides that, in consideration of the services of the Underwriters in connection with the Offering, the Corporation will pay the Underwriters a fee of \$0.25 per Series G Share issued and sold by the Corporation to certain institutions, and \$0.75 per Series G Share for all other Series G Shares issued and sold by the Corporation as part of the Offering, for an aggregate fee payable by the Corporation of \$4,500,000, assuming that no Series G Shares are sold to such institutions. The Underwriters' fee is payable on the Offering Closing Date.

The Corporation has granted to the Underwriters an option that is exercisable at any time up to 48 hours prior to the time of the closing of the Offering on the Offering Closing Date to purchase up to an additional 2,000,000 Series G Shares at a price equal to \$25.00 per Series G Share. If the Underwriters' Option is exercised in full, the total price to the public, the Underwriters' fee and the net proceeds to the Corporation, before expenses of the Offering and assuming that no Series G Shares are sold to certain institutions, will be \$200,000,000, \$6,000,000 and \$194,000,000, respectively. The Series G Shares to be issued on the exercise of the Underwriters' Option are also qualified under the Prospectus, as supplemented by this Prospectus Supplement.

The terms of the Offering were established through negotiations between the Corporation and the Underwriters.

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several) and may be terminated at their discretion upon the occurrence of certain stated events including, but not limited to: (a) there should occur or there should be announced or discovered any material change or any change in a material fact in relation to the Corporation which, in either case, in the reasonable opinion of an Underwriter, would be expected to have a significant adverse effect on the market price or value of the Series G Shares; (b) (i) there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation (or any change in the interpretation or administration thereof) which, in the opinion of an Underwriter, acting reasonably, seriously adversely affects, or involves, or will seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Corporation and its subsidiaries taken as a whole, or (ii) there shall have occurred any outbreak or escalation of hostilities, declaration by Canada or the United States of a national emergency or war, or other calamity or crisis, which, in the opinion of an Underwriter, acting reasonably, seriously adversely affects, or involves, or will seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Corporation and its subsidiaries taken as a whole; (c) any enquiry, action, suit, investigation or other proceeding, whether formal or informal, is instituted or announced or any order is made by any federal, provincial, state, municipal or other governmental authority in relation to the Corporation which, in the opinion of an Underwriter, operates to prevent or restrict the distribution or trading of the Series G Shares; (d) any order to cease or suspend trading in the Corporation's securities or to prohibit or restrict the distribution of the Series G Shares is made, or proceedings are announced or commenced for the making of any such order, by any of the Canadian Securities Commissions (as such term is defined in the Underwriting Agreement), the U.S. Securities and Exchange Commission, the TSX or the New York Stock Exchange or trading in securities generally on the TSX or the New York Stock Exchange shall have been suspended or limited or minimum prices shall have been established on either of such exchanges; or (e) there shall have occurred a downgrade in the rating applicable to the Series G Shares by DBRS or S&P, or if either DBRS or S&P shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of the Series G Shares, or DBRS, S&P, Moody's Corporation or Fitch, Inc. shall place any of the securities of the Corporation on credit watch or the equivalent.

The Underwriting Agreement provides that if an Underwriter fails to purchase the Series G Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Series G Shares, provided that, if the aggregate number of Series G Shares not purchased is less than or equal to 10.0% of the aggregate number of Series G Shares agreed to be purchased by the Underwriters, then each of the other Underwriters is obligated to purchase severally the Series G Shares not taken up, on a pro rata basis or as they may otherwise agree as between themselves. The Underwriters are, however, obligated to take up and pay for all Series G Shares if any Series G Shares are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Corporation will indemnify the Underwriters and their respective directors, officers, shareholders, agents and employees against certain liabilities and expenses.

The Underwriters propose to offer the Series G Shares initially at the public offering price specified on the cover page of this Prospectus Supplement. After the Underwriters have made a reasonable effort to sell all of the Series G Shares offered by this Prospectus Supplement at the price specified herein, the offering price may be decreased and may be further changed from time to time to an amount not greater than \$25.00. In the event the offering price of the Series G Shares is reduced, the compensation received by the Underwriters will be decreased by the amount by which the aggregate price paid by the purchasers for the Series G Shares is less than the gross proceeds

paid by the Underwriters to the Corporation for the Series G Shares. Any such reduction will not affect the proceeds received by the Corporation.

Subscriptions for Series G Shares will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice.

The Corporation has applied to the TSX to list the Series G Shares and Series H Shares. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSX. There can be no assurance that the Series G Shares and the Series H Shares will be accepted for listing on the TSX.

The Corporation has agreed that, subject to certain exceptions, it shall not, directly or indirectly, sell, agree or offer to sell, grant any option for the sale of, or otherwise dispose of, any preferred shares or any other shares with provisions or characteristics similar to the Series G Shares (for greater certainty, it being agreed that the Common Shares do not have provisions or characteristics similar to the Series G Shares), prior to 90 days after the Offering Closing Date without the prior consent of RBC Dominion Securities Inc., CIBC World Markets Inc. and Scotia Capital Inc., on behalf of the Underwriters, which consent shall not be unreasonably withheld.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Series G Shares. The policy statements allow certain exceptions to the foregoing prohibitions. The Underwriters may only avail themselves of such exceptions on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Series G Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of the Investment Industry Regulatory Organization of Canada, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series G Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

Neither the Series G Shares nor the Series H Shares have been or will be registered under the *United States Securities Act of 1933*, as amended (the "**US Securities Act**"). They are being sold only outside the United States to non-U.S. Persons (as those terms are defined under Regulation S under the US Securities Act) and may not be reoffered, resold, pledged or otherwise transferred in the United States or to U.S. Persons except in compliance with the US Securities Act or in transactions exempt therefrom or not subject thereto

RELATIONSHIP BETWEEN THE CORPORATION AND THE UNDERWRITERS

Each of RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc. and HSBC Securities (Canada) Inc. is, directly or indirectly, an affiliate of a bank or other financial institution that is one of our lenders and to which we are currently indebted (collectively, the "**Affiliate Lenders**"). Consequently, we may be considered to be a connected issuer of such Underwriters under applicable securities laws.

At June 30, 2014, we were indebted to the lenders under our credit facilities in the aggregate amount of \$366 million. We have complied with the instruments governing our 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 our credit facilities was incurred. The Corporation intends to use all net proceeds from the Offering for general corporate purposes in support of our business, to reduce short term indebtedness, which short term indebtedness was used to fund the Corporation's capital program and for general corporate purposes and to fund capital investments of the Corporation and its affiliates, and, as a consequence, net proceeds from the Offering may be paid to one or more of the Affiliate Lenders. For more information, see "*Use of Proceeds*".

The decision to distribute Series G Shares pursuant to the Offering was made by the Corporation and the determination of the terms of the Offering was made through negotiations between the Corporation and the Underwriters. 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 of RBC Dominion Securities Inc., CIBC World Markets Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc. and HSBC Securities (Canada) Inc. will receive its proportionate share of the aggregate underwriting commission payable by the Corporation to the Underwriters.

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 Underwriters, the following summary, as of the date hereof, describes the principal Canadian federal income tax considerations generally applicable under the provisions of the Tax Act to a prospective purchaser who acquires as beneficial owner Series G Shares pursuant to this Prospectus Supplement (a "**Holder**") and who, at all relevant times, for the purposes of the Tax Act, is (or is deemed to be) resident in Canada, holds the Series G Shares and will hold the Series H Shares, as applicable, as capital property, deals at arm's length with the

Corporation and the Underwriters, is not affiliated with the Corporation and is not exempt from tax under Part I of the Tax Act. Generally, the Series G Shares or Series H Shares will be considered to be capital property to a Holder provided the Holder does not hold the shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who might not otherwise be considered to hold their Series G Shares or Series H Shares as capital property may, in certain circumstances, be entitled to have them and every other "Canadian security" (as defined in the Tax Act) owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Holders who will not hold their Series G Shares or their Series H Shares, as applicable, as capital property should consult their own tax advisors with respect to their own particular circumstances.

This summary is not applicable to a Holder: (i) that is a "financial institution", as defined in the Tax Act for the purpose of the "mark-to-market property" rules; (ii) an interest in which would be a "tax shelter investment" as defined in the Tax Act; (iii) which has made a "functional currency" election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency; or (iv) that has entered into or will enter into a "derivative forward agreement" as defined in the Tax Act, with respect to the Series G Shares or Series H Shares. Any such Holder should consult its own tax advisors with respect to an investment in the Series G Shares. Furthermore, this summary is not applicable to a Holder that is a "specified financial institution" (as defined in the Tax Act) that receives or is deemed to receive, alone or together with persons with whom it does not deal at arm's length, in the aggregate dividends in respect of more than 10% of the Series G Shares or Series H Shares, as the case may be, outstanding at the time the dividend is received. This summary also assumes that all issued and outstanding Series G Shares or Series H Shares are listed on a designated stock exchange in Canada (as defined in the Tax Act, such as the TSX) at such times as dividends (including deemed dividends) are paid and received on the Series G Shares or Series H Shares respectively.

This summary is based upon the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposals**"), existing case law and counsels' understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency. This summary assumes the Proposals will be enacted in the form proposed; however, no assurance can be given that the Proposals will be enacted in their current form, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account any provincial, territorial or foreign income tax legislation or considerations.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. In particular, this summary does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Series G Shares. No representations are made with respect to the income tax consequences to any particular Holder. Consequently, prospective Holders should consult their own tax advisors with respect to their particular circumstances for advice with respect to the tax consequences to them of acquiring, holding and disposing of the Series G Shares or the Series H Shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.

Dividends

Dividends (including deemed dividends) received (or deemed to be received) on the Series G Shares or the Series H Shares, as the case may be, by an individual (other than certain trusts) will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Individuals are entitled to an enhanced gross-up and dividend tax credit in respect of "eligible dividends" received from taxable Canadian corporations, such as the Corporation, if such dividends have been designated as eligible dividends by the Corporation at or before the time of payment. By notice in writing on the Corporation's website, the Corporation has designated all dividends paid by the Corporation to be "eligible dividends" within the meaning of the Tax Act unless otherwise notified.

Dividends received by a Holder who is an individual (other than certain trusts) may give rise to a liability for alternative minimum tax.

Dividends (including deemed dividends) received on the Series G Shares or the Series H Shares, as the case may be, by a Holder which is a corporation will be included in computing the Holder's income and will generally be deductible in computing the Holder's taxable income. A "private corporation", as defined in the Tax Act, or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series G Shares or the Series H Shares, as the case may be, to the extent such dividends are deductible in computing its taxable income.

The Series G Shares and the Series H Shares will be "taxable preferred shares" as defined in the Tax Act. The terms of the Series G Shares and the Series H Shares require the Corporation to make the necessary election under Part VI.1 of the Tax Act so that corporate

Holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series G Shares or the Series H Shares.

Dispositions

A Holder who disposes of or is deemed to dispose of Series G Shares or Series H Shares (on the redemption of such shares or otherwise; a conversion of Series G Shares into Series H Shares or a conversion of Series H Shares into Series G Shares will be deemed to not constitute a disposition of such shares for purposes of the Tax Act) will generally realize a capital gain (or a capital loss) to the extent that the Holder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the Holder. The amount of any deemed dividend arising on the redemption, acquisition or cancellation by the Corporation of Series G Shares or Series H Shares, as the case may be, will generally not be included in computing the Holder's proceeds of disposition for purposes of computing the capital gain (or capital loss) arising on the disposition of such Series G Shares or Series H Shares, as the case may be. See "*—Redemption*" below. If the Holder is a corporation, any capital loss arising on a disposition of a Series G Share or a Series H Share, as the case may be, may, in certain circumstances, be reduced by the amount of any dividends, including deemed dividends, which have been received (or deemed to be received) on the Series G Share or Series H Share or any share which was converted into such share. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. Such Holders should consult their own tax advisors.

Generally, one-half of any capital gain will be included in computing the Holder's income in the year of disposition as a taxable capital gain and one-half of any capital loss (an "**allowable capital loss**") must be deducted from the Holder's taxable capital gains in the year of disposition. Allowable capital losses in excess of taxable capital gains for a taxation year generally may be carried back up to three taxation years or carried forward indefinitely and deducted against net taxable capital gains in those other taxation years to the extent and under the circumstances described in the Tax Act. Capital gains realized by an individual may give rise to a liability for alternative minimum tax. Taxable capital gains of a "Canadian-controlled private corporation", as defined in the Tax Act, may be subject to an additional refundable tax.

Redemption

If the Corporation redeems Series G Shares or Series H Shares, or otherwise acquires or cancels Series G Shares or Series H Shares (other than by a purchase by the Corporation of the shares in the open market in the manner in which shares are normally purchased by any member of the public in the open market), the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Corporation in excess of the paid-up capital (as determined for purposes of the Tax Act) of such shares at such time. In the case where the Corporation redeems Series H Shares after September 30, 2024 on a date that is not a Series H Conversion Date, it is likely that a deemed dividend of \$0.50 per Series H Share will result. Generally, any excess of the amount paid over the amount of the deemed dividend will be treated as proceeds of disposition for purposes of computing the capital gain or capital loss arising on the disposition of such shares. See "*—Dispositions*" above. In the case of a corporate Holder, it is possible that in certain circumstances all or part of any such deemed dividend may be treated as proceeds of disposition and not as a dividend.

Conversion

The conversion of Series G Shares into Series H Shares and the conversion of Series H Shares into Series G Shares will not constitute a disposition of property for purposes of the Tax Act and, accordingly, will not give rise to a capital gain or capital loss. The cost to a Holder of the Series H Shares or Series G Shares, as the case may be, received on the conversion will, subject to the cost averaging rules contained in the Tax Act for identical properties described below, be deemed to be equal to the Holder's adjusted cost base of the converted Series G Shares or Series H Shares, as the case may be, immediately before the conversion. For the purpose of determining the adjusted cost base of a Holder's shares of a particular series of shares of the Corporation, when additional shares of that series are acquired (including on a conversion), the cost of newly acquired shares of that series will be averaged with the adjusted cost base of all shares of that series owned by the Holder as capital property immediately before that time.

ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, tax counsel to the Corporation, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the Series G Shares offered hereby and the Series H Shares issuable on conversion of Series G Shares, if issued on the date hereof, would be, on such date, qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a registered education savings plan, a registered disability savings plan, a deferred profit sharing plan, or a tax-free savings account ("**TFSA**"). The Series G Shares and the Series H Shares issuable on conversion of Series G Shares will not be a "prohibited investment" for a TFSA, RRSP or RRIF provided that the holder of the TFSA or the annuitant under the RRSP or RRIF deals at arm's length with the Corporation for purposes of the Tax Act and does not have a "significant interest" (within the meaning of the Tax Act) in the Corporation. Such holders or annuitants to whom Series G Shares or the Series H Shares issuable on conversion of Series G Shares otherwise would be prohibited investments as described above should consult their own tax advisors.

Prospective investors who intend to hold Series G Shares or Series H Shares issuable on conversion of Series G Shares in their TFSA, RRSP or RRIF should consult their own tax advisors regarding their particular circumstances.

RISK FACTORS

An investment in the Series G Shares offered hereunder involves certain risks. In addition to the other information contained in this Prospectus Supplement and the accompanying Prospectus, and in the documents incorporated by reference therein, prospective purchasers of Series G Shares should consider carefully the risk factors set forth below, as well as the risk factors referenced in the accompanying Prospectus under the heading "*Risk Factors*".

Market for Securities

There is currently no market through which the Series G Shares may be sold and purchasers of Series G Shares may not be able to resell the Series G Shares purchased under this Prospectus Supplement. The price offered to the public for the Series G Shares and the number of Series G Shares to be issued have been determined by negotiations among the Corporation and the Underwriters. The price paid for each Series G Share may bear no relationship to the price at which the Series G Shares will trade in the public market subsequent to this Offering. The Corporation cannot predict at what price the Series G Shares will trade and there can be no assurance that an active trading market will develop for the Series G Shares or, if developed, that such market will be sustained. The Corporation has applied to list and post for trading the Series G Shares and Series H Shares on the TSX. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSX. There can be no assurance that the Series G Shares and Series H Shares will be accepted for listing on the TSX.

Market Price

The market price of the Series G Shares and Series H Shares may fluctuate due to a variety of factors relative to the Corporation's business, including announcements of new developments, fluctuations in the Corporation's operating results, sales of the Series G Shares and Series H Shares in the marketplace, failure to meet analysts' expectations, any public announcements made in regard to this Offering, the impact of various tax laws or rates and general market conditions or the worldwide economy. In recent years, stock markets have experienced significant price fluctuations, which have been unrelated to the operating performance of the affected companies. There can be no assurance that the market price of the Series G Shares and Series H Shares will not experience significant fluctuations in the future, including fluctuations that are unrelated to the Corporation's performance.

Prevailing yields on similar securities will affect the market value of the Series G Shares and Series H Shares. Assuming all other factors remain unchanged, the market value of the Series G Shares and Series H Shares would be expected to decline as prevailing yields for similar securities rise and would be expected to increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities will also affect the market value of the Series G Shares and the Series H Shares in an analogous manner.

Dividends

Provisions of various trust indentures and credit arrangements to which the Corporation is a party restrict the Corporation's ability to declare and pay dividends under certain circumstances and, if such restrictions apply, they may, in turn, have an impact on the Corporation's ability to declare and pay dividends on the Series G Shares and Series H Shares. The dividend rate in respect of the Series G Shares will reset on September 30, 2019 and every five years thereafter. The dividend rate in respect of the Series H Shares will reset quarterly. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

Investments in the Series H Shares, given their floating interest component, entail risks not associated with investments in the Series G Shares. The resetting of the applicable rate on a Series H Share may result in a lower yield compared to fixed rate Series G Shares. The applicable rate on a Series H Share will fluctuate in accordance with fluctuations in the T-Bill Rate 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. See "*Details of the Offering – Certain Provisions of the Series H Shares – Dividends on Series H Shares*".

Credit Ratings

The credit ratings applied to the Series G Shares are an assessment, by the Rating Agencies, of the Corporation's ability to pay its obligations. The credit ratings are based on certain assumptions about the future performance and capital structure of the Corporation that may or may not reflect the actual performance or capital structure of the Corporation. Changes in credit ratings of the Series G Shares may affect the market price or value and the liquidity of the Series G Shares. There is no assurance that any credit rating assigned to the Series G Shares will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. See "*Credit Ratings*".

Insolvency or Winding-Up

The Series G Shares and Series H Shares are equity capital of the Corporation which rank equally with other first preferred shares, if any, in the event of an insolvency or winding-up of the Corporation. If the Corporation becomes insolvent or is wound up, the Corporation's assets must be used to pay liabilities and other debt before payments may be made on the Series G Shares, Series H Shares and other first preferred shares, if any.

Automatic Conversion

An investment in the Series G Shares, or in the Series H Shares, as the case may be, may become an investment in Series H Shares, or in Series G Shares, without the consent of the holder in the event of an automatic conversion in the circumstances described under "*Details of the Offering – Certain Provisions of the Series G Shares – Conversion of Series G Shares into Series H Shares*" and "*Details of the Offering – Certain Provisions of the Series H Shares – Conversion of Series H Shares into Series G Shares*". Upon automatic conversion of the Series G Shares into Series H Shares, the dividend rate on the Series H Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time while, upon the automatic conversion of the Series H Shares into Series G Shares, the dividend rate on the Series G Shares will be, for each five-year period, a fixed rate that is determined by reference to the Government of Canada Yield on the 30th day prior to the first day of each such five-year period. In addition, holders may be prevented from converting their Series G Shares into Series H Shares in certain circumstances. See "*Details of the Offering – Certain Provisions of the Series G Shares – Conversion of Series G Shares into Series H Shares*" and "*Details of the Offering – Certain Provisions of the Series H Shares – Conversion of Series H Shares into Series G Shares*".

No Fixed Maturity

Neither the Series G Shares nor the Series H Shares have a fixed maturity date and are not redeemable at the option of the holders of Series G Shares or the Series H Shares, as applicable. The ability of a holder to liquidate its holdings of Series G Shares and the Series H Shares, as applicable, may be limited.

Redeemable

The Corporation may choose to redeem the Series G Shares and the Series H Shares from time to time, in accordance with its rights described under "*Details of the Offering – Certain Provisions of the Series G Shares – Redemption of Series G Shares*" and "*Details of the Offering – Certain Provisions of the Series H Shares – Redemption of the Series H Shares*", including when prevailing interest rates are lower than yield borne by the Series G Shares and the Series H Shares. 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 yield as high as the yield on the Series G Shares or the Series H Shares being redeemed. The Corporation's redemption right also may adversely impact a purchaser's ability to sell Series G Shares and Series H Shares.

LEGAL MATTERS

Certain legal matters relating to Canadian law in connection with the Series G Shares offered hereby will be passed upon on behalf of the Corporation by Norton Rose Fulbright Canada LLP and by McCarthy Tétrault LLP, as tax counsel, and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP.

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, 2013, 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.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Corporation's auditors are Ernst & Young LLP, Chartered Accountants, Calgary, Alberta.

The transfer agent and registrar for the Common Shares, Series A Shares, cumulative redeemable floating rate first preferred shares, Series B, Series C Shares, cumulative redeemable floating rate first preferred shares, Series D, Series E Shares, cumulative redeemable floating rate first preferred shares, Series F, Series G Shares and Series H Shares is CST Trust Company at its principal offices in Calgary, Alberta, and Toronto, Ontario.

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 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 UNDERWRITERS

Dated: August 8, 2014

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, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces of Canada.

RBC DOMINION SECURITIES INC.

CIBC WORLD MARKETS INC.

SCOTIA CAPITAL INC.

By: (Signed) "Robert Nicholson"

By: (Signed) "Kelsen Vallee"

By: (Signed) "Thomas I. Kurfurst"

BMO NESBITT BURNS INC.

NATIONAL BANK FINANCIAL INC.

TD SECURITIES INC.

By: (Signed) "Sean M. Brown"

By: (Signed) "Iain Watson"

By: (Signed) "Harold R. Holloway"

HSBC SECURITIES (CANADA) INC.

By: (Signed) "Jay Lewis"

CANACCORD GENUITY CORP.

DESJARDINS SECURITIES INC.

By: (Signed) "Steven Winokur"

By: (Signed) "A. Thomas Little"

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 these 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 (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. 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" in this short form prospectus.

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 on the System for Electronic Document Analysis and Retrieval ("SEDAR") under our profile which can be accessed at www.sedar.com.

SHORT FORM BASE SHELF PROSPECTUS

New Issue

December 9, 2013



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) bonds, debentures, notes or other evidences of indebtedness of any kind, nature or description ("**debt securities**"), (the Common Shares, First Preferred Shares, Warrants, Subscription Receipts and debt securities are collectively referred to herein as the "**Securities**"), or any combination thereof, up to an aggregate 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 (in the event the offering is a fixed price distribution) or the manner of determining the offering price (in the event the offering is a non-fixed price distribution); (ii) in the case of First Preferred Shares, the designation of the particular series, the number of First Preferred Shares offered, the offering price or manner of determining 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 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 payment date(s), covenants, events of default, 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 carefully 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 redeemable rate reset first preferred shares, Series A ("**Series A Shares**"), our cumulative redeemable rate reset first preferred shares, Series C ("**Series C Shares**") and our cumulative redeemable rate reset first preferred shares, Series E ("**Series E Shares**") are listed and traded on the TSX under the symbols "TA.PR.D", "TA.PR.F" and "TA.PR.H", respectively. On December 6, 2013, the closing price of our Common Shares, our Series A Shares, our Series C Shares and our Series E Shares on the TSX was \$13.75, \$16.74, \$18.50 and \$22.25, respectively, and on the NYSE the closing price for the Common Shares was US\$12.91 on December 6, 2013. **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 offer and sell the Securities to or through underwriters or dealers purchasing as principals, and may also sell directly to one or more purchasers or through agents. See "*Plan of Distribution*" in this Prospectus. The Prospectus Supplement relating to a particular offering of Securities will identify each underwriter, dealer or agent, as the case may be, engaged by TransAlta 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 determined by reference to

the prevailing price of a specified security in a specified market 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 increased or decreased by the amount, if any, by which the aggregate price paid for the Securities by the purchasers exceeds or is less than the gross proceeds paid by the underwriter, dealer or agent to us. The price at which the Securities will be offered and sold may vary from purchaser to purchaser and during the period of distribution.

Unless otherwise specified in the applicable Prospectus Supplement, the Securities have not been and will not be registered under 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 Securities are registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration requirements is available. Each underwriter, dealer and agent who participates in the distribution will agree not to sell or offer to sell or to solicit any offer to buy any Securities 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 this Prospectus.

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

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.

Prospective investors should be aware that the purchase of Securities may have tax consequences that may not be fully described in this Prospectus or in any Prospectus Supplement, and should carefully review the tax discussion, if any, in the applicable Prospectus Supplement and in any event consult with a tax adviser.

This Prospectus constitutes a public offering of Securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such Securities.

The registered and head office of TransAlta 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
EARNINGS COVERAGE RATIOS	5
DESCRIPTION OF SHARE CAPITAL	5
DESCRIPTION OF WARRANTS	7
DESCRIPTION OF SUBSCRIPTION RECEIPTS.....	8
DESCRIPTION OF DEBT SECURITIES	9
OTHER MATTERS RELATING TO THE SECURITIES	10
PRIOR SALES	12
MARKET FOR SHARES	12
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	14
PLAN OF DISTRIBUTION.....	14
RISK FACTORS	15
LEGAL MATTERS.....	15
INTEREST OF EXPERTS	15
AUDITORS, TRANSFER AGENT AND REGISTRAR.....	15
PURCHASER'S STATUTORY RIGHTS	15
CONTRACTUAL RIGHTS OF RESCISSION	16
CERTIFICATE OF THE CORPORATION.....	C-1

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 from time to time. 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 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 to the extent required under applicable securities laws.

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. 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.

The Corporation is not making an offer of Securities in any jurisdiction where the offer is not permitted by law.

DOCUMENTS INCORPORATED BY REFERENCE

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, 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 by reference in the Prospectus, as further described below:

- (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 auditor's 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**"); and
- (g) the material change report dated July 3, 2013 (the "**Material Change Report**") 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.

Except as otherwise stated below, 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 (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 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 electronically on SEDAR under our profile, 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 which also is or is deemed to be incorporated by reference herein 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 not misleading in light of the circumstances under 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 consolidated financial statements and 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, (i) the previous annual information form, the previous annual audited consolidated financial statements and related management's discussion and analysis, (ii) all interim financial statements and related management's discussion and analysis, all material change reports and all business acquisition reports filed by the Corporation prior to the commencement of the Corporation's financial year in respect of which the new annual

information form is filed, and (iii) any business acquisition report for acquisitions completed since the beginning of the financial year in respect of which the new annual information form is filed (unless such report is incorporated by reference into the current annual information form or less than nine months of the acquired business or related businesses operations are incorporated into the Corporation's current annual audited consolidated financial statements) shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder. Upon new interim financial statements and related management's discussion and analysis being filed by the Corporation with the applicable securities regulatory authorities in Canada during the term of this Prospectus, all interim financial statements and related management's discussion and analysis filed prior to the new interim consolidated financial statements shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder. 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 and prior to the date on which this Prospectus ceases to be effective, the information circular for the preceding annual meeting of shareholders and any other information circular filed by the Corporation prior to the commencement of the Corporation's financial year in respect of which the new annual information form is filed shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of offers and sales of Securities under this Prospectus.

A Prospectus Supplement containing the specific terms of any Securities offered thereunder will be delivered to purchasers of such Securities together with this Prospectus to the extent required under applicable securities laws 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.

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

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.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus, including the documents incorporated by reference herein, contains forward-looking statements or forward-looking information within the meaning of applicable securities legislation (collectively, "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 further 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 known and unknown risks, uncertainties and other important factors, many of which are beyond the Corporation's control, that could cause actual events, outcomes or results to differ materially from those expressed or implied in the forward-looking statement. Although the Corporation believes that the assumptions and expectations conveyed by such forward-looking statements are reasonable based on information available on the date they are made, there can be no assurance that such assumptions and expectations will prove to be correct. 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 and to not use future-oriented information or financial outlooks for anything other than their intended purpose. 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 cause the Corporation's actual results to differ materially from those estimated or projected and expressed in, or implied by, these 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. **The Corporation cautions that the foregoing list of factors that may affect future results is not exhaustive.** The forward-looking statements contained and incorporated by reference in this Prospectus are expressly qualified by this cautionary statement.

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. On August 29, 2013, TransAlta Renewables Inc. completed an offering of common shares qualified by a prospectus dated July 31, 2013. Following the offering, the Corporation held approximately 81% of the issued and outstanding shares of TransAlta Renewables Inc. For further information on the intercorporate relationships among TransAlta and its subsidiaries, please see the Material Change Report and "*Corporate Structure*" in our most recent annual information form.

TransAlta and its predecessors have been engaged in the production and sale of electric energy since 1909. We are among Canada's largest non-regulated electric generation and energy marketing companies with an aggregate net ownership interest of approximately 8,955 megawatts ("**MW**") of generating capacity operating in facilities having approximately 11,073 MW of aggregate generating capacity⁽¹⁾⁽²⁾. We are focused on generating electricity in Canada, the United States and Australia through our diversified portfolio of facilities fuelled by coal, natural gas, diesel, hydroelectric, wind and geothermal resources.

In Canada, we have a net ownership interest of approximately 6,435 MW of electrical generating capacity in thermal, natural gas-fired, wind-powered and hydroelectric facilities, including 5,215 MW in Western Canada, 965 MW in Ontario, 154 MW in Québec and 100 MW in New Brunswick.

In the United States, our 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. We also hold a 50 per cent interest in CE Generation, LLC ("**CE Generation**"), through which we have 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. The announced acquisition of the Wyoming Wind farm that is anticipated to close by the end of 2013 will add 116 MW of net generating capacity. In addition, we have 6 MW of electrical generating capacity through hydroelectric facilities located in Washington and Hawaii.

In Australia, we have 425 MW of net electrical generating capacity from natural gas and diesel-fired generation facilities that are located at customer mine sites.

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.

² Includes the Wyoming Farm (144 MW gross, 116 MW net) acquired on October 21, 2013, which is expected to close by the end of 2013.

We regularly review our operations in order to optimize our generating assets and evaluate appropriate growth opportunities to maximize value to the Corporation. We have in the past and may in the future make changes and additions to our fleet of coal, natural gas, diesel, hydro, wind and geothermal fuelled facilities.

The Corporation is organized into three business segments: Generation, Energy Trading and Corporate. The Generation segment 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. This segment also encompasses 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 segment that provides finance, tax, treasury, legal, regulatory, environmental, health and safety, sustainable development, corporate communications, government and investor relations, information technology, risk management, human resources, internal audit, and other administrative services, including compliance and governance services.

USE OF PROCEEDS

Specific information about our use of the net proceeds from an offering of Securities will be set forth in the Prospectus Supplement for that offering. We may, from time to time, issue securities (including Securities) other than pursuant to this Prospectus.

EARNINGS COVERAGE RATIOS

Information regarding earnings coverage ratios will be provided in the applicable Prospectus Supplement relating to any offering of debt securities having a term to maturity in excess of one year or Preferred Shares, as required by applicable securities laws.

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 December 6, 2013, 268,240,937 Common Shares, 12,000,000 Series A Shares, 11,000,000 Series C Shares and 9,000,000 Series E Shares were issued and 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 any other class of shares of the Corporation ranking prior to the Common Shares, and to participate ratably 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 and any other class of shares of the Corporation ranking prior to the Common 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 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

TransAlta is authorized to issue an unlimited number of First Preferred Shares, issuable in series and, with respect to each series, the board of directors (the "**Board**") 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 TransAlta 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 TransAlta 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 Board 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 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 TransAlta.

Subject to the share conditions attaching to any particular series providing to the contrary, TransAlta 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 we have 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 depositary or a nominee of the depositary identified in the applicable Prospectus Supplement; and
- be deposited with such depositary or nominee or a custodian for the depositary.

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 23, 2013, of the Rights Plan Agreement at the annual and special meeting of shareholders of the Corporation held on April 23, 2013. 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 is also available electronically on SEDAR under our profile, which can be accessed 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

In this section, the terms “Corporation” and “TransAlta” refer only to TransAlta Corporation without its subsidiaries through which it operates. 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 Corporation will provide particular terms and provisions of a series of debt securities and a description of how the general terms and provisions described below may apply to that series in the Prospectus Supplement relating to such series. Prospective investors should rely on information in the applicable Prospectus Supplement if it is different from the following information.

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 under our profile which can be accessed at www.sedar.com.

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.

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 Prospectus Supplement will set forth, as applicable, the following terms and relating to the debt securities being offered:

- the specific designation and any limit on 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

Unless otherwise indicated in an applicable Prospectus Supplement, the debt securities will be unsecured obligations and will rank equally with all of TransAlta's other unsecured and subordinated indebtedness. As at September 30, 2013, our subsidiaries had outstanding \$379 million aggregate principal amount of long term debt (excluding intercompany indebtedness). The debt securities issued under this Prospectus will be structurally subordinated to all existing and future liabilities, including trade payables and other indebtedness of our subsidiaries.

OTHER MATTERS RELATING TO THE SECURITIES

General

Securities offered under this Prospectus may be issued in certificated form or in book-entry only form.

Certificated Form

Securities issued in certificated form will be registered in the name of the purchaser or its nominee on the registers maintained by the Corporation's transfer agent and registrar or the applicable Trustee.

Book-Entry Only Form

Securities issued in "book-entry only" form must be purchased, transferred or redeemed through participants ("**participants**") in a depository service of a depository identified in the prospectus supplement for the particular offering of Securities. Each of the underwriters, dealers or agents, as the case may be, named in the prospectus supplement will be a participant of the depository. On the closing of a book-entry only offering, the Corporation will cause a global certificate or certificates representing the aggregate number of Securities subscribed for under such offering to be delivered to, and registered in the name of, the depository or its nominee. Except as described below, no purchaser of Securities issued in book-entry only form will be entitled to a certificate or other instrument from the Corporation or the depository evidencing that purchaser's ownership thereof, and no purchaser will be shown on the records maintained by the depository except through a book-entry account of a participant acting on behalf of such purchaser. Each purchaser of such Securities will receive a customer confirmation of purchase from the registered dealer from which the Securities are purchased in accordance with the practices and procedures of such registered dealer. The practices of registered 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 the book-entry only Securities. Reference in this prospectus to a holder of book-entry only Securities means, unless the context otherwise requires, the owner of the beneficial interest in the Securities.

If the Corporation determines, or the depository notifies the Corporation in writing, that the depository is no longer willing or able to discharge properly its responsibilities as depository with respect to the book-entry only Securities and the Corporation is unable to locate a qualified successor, or if the Corporation at its option elects, or is required by law, to terminate the book-entry system, then such Securities will be issued in certificated form to holders or their nominees.

Transfer, Conversion or Redemption of Securities

Certificated Form

Transfer of ownership, conversion or redemptions of Securities held in certificated form will be effected by the registered holder of the Securities in accordance with the requirements of the Corporation's transfer agent and registrar and the terms of the indenture or certificates representing such Securities, as applicable.

Book-Entry Only Form

Transfer of ownership, conversion or redemptions of Securities held in book-entry only form will be effected through records maintained by the depository or its nominee for such Securities with respect to interests of participants, and on the records of participants with respect to interests of persons other than participants. Holders who desire to purchase, sell or otherwise transfer ownership of or other interests in the Securities may do so only through participants. The ability of a holder to pledge a Security or otherwise take action with respect to such holder's interest in a Security (other than through a participant) may be limited due to the lack of a physical certificate.

Payments and Notices

Certificated Form

Any payment of principal, a redemption amount, a dividend and interest on a Security, as applicable, will be made by the Corporation, and any notices in respect of a Security will be given by the Corporation, directly to the registered holder of such Security, unless the applicable indenture in respect of such Security provides otherwise.

Book-Entry Only Form

Any payment of principal, a redemption amount, a dividend and interest on a Security, as applicable, will be made by the Corporation to the depository or its nominee, as the case may be, as the registered holder of the Security and the Corporation understands that such payments will be credited by the depository or its nominee in the appropriate amounts to the relevant participants. Payments to holders of Securities of amounts so credited will be the responsibility of the participants.

As long as the depository or its nominee is the registered holder of the Securities, the depository or its nominee, as the case may be, will be considered the sole owner of the Securities for the purposes of receiving notices or payments on the Securities. In such circumstances, the responsibility and liability of the Corporation in respect of notices or payments on the Securities is limited to giving or making payment of any principal, redemption, dividend and interest due on the Securities to the depository or its nominee.

Each holder must rely on the procedures of the depository and, if such holder is not a participant, on the procedures of the participant through which such holder owns its interest, to exercise any rights with respect to the Securities. The Corporation understands that under existing industry practices, if the Corporation requests any action of holders or if a holder desires to give any notice or take any action which a registered holder is entitled to give or take with respect to any Securities issued in book-entry only form, the depository would authorize the participant acting on behalf of the holder to give such notice or to take such action, in accordance with the procedures established by the depository or agreed to from time to time by the Corporation, any trustee and the depository. Accordingly, any holder that is not a participant must rely on the contractual arrangement it has, directly or indirectly through its financial intermediary, with its participant to give such notice or take such action.

The Corporation, any underwriters, dealers or agents and any trustee identified in a prospectus supplement relating to an offering of Securities in book-entry only form, as applicable, will not have any liability or responsibility for: (i) records maintained by the depository relating to beneficial ownership interests in the 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; or (iii) any advice or representation made by or with respect to the depository and contained in the prospectus supplement or in any indenture relating to the rules and regulations of the depository or any action to be taken by the depository or at the directions of the participants.

PRIOR SALES

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

1. on January 1, 2013, an aggregate of 3,766,781 Common Shares at a price of \$14.19 per Common Share pursuant to our dividend reinvestment and share purchase plan;
2. on April 1, 2013, an aggregate of 3,680,122 Common Shares at a price of \$14.34 per Common Share pursuant to our dividend reinvestment and share purchase plan;
3. on July 1, 2013, an aggregate of 4,163,997 Common Shares at a price of \$13.10 per Common Share pursuant to our dividend reinvestment and share purchase plan;
4. on October 1, 2013, an aggregate of 1,976,420 Common Shares at a price of \$13.10 per Common Share pursuant to our dividend reinvestment and share purchase plan; and
5. on November 25, 2013, we issued \$400,000,000 aggregate principal amount of 5.00% senior unsecured medium term notes, maturing on November 25, 2020, at an issue price of 99.516% of the principal amount of the notes.

For additional information on previously issued Securities, see our audited annual consolidated financial statements as at and for the year ended December 31, 2012 and our unaudited interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2013, all of which have been incorporated by reference herein.

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

MARKET FOR SHARES

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

Period	Common Share Price (\$) High	Common Share Price (\$) Low	Volume
2012			
November	16.00	14.50	10,702,261
December.....	15.15	14.44	19,578,424
2013			
January.....	16.89	15.01	13,124,537
February.....	16.69	15.30	12,298,912
March.....	15.49	14.51	18,399,894
April	14.95	13.45	18,679,209
May.....	15.72	14.50	12,625,448
June.....	14.88	12.80	23,721,307
July	15.17	14.02	14,907,926
August	14.33	13.33	10,129,791
September.....	13.80	13.20	9,073,139
October	14.55	13.26	14,057,290
November	14.78	13.88	16,658,288
December (1 - 6).....	14.18	13.66	2,970,924

<u>Period</u>	<u>Series A Shares (\$) High</u>	<u>Series A Shares (\$) Low</u>	<u>Volume</u>
2012			
November	23.14	22.26	821,830
December.....	22.45	21.55	271,562
2013			
January.....	24.41	21.90	666,234
February.....	24.20	23.84	261,563
March.....	24.95	23.83	285,422
April	25.00	23.16	487,272
May.....	23.99	23.51	216,391
June.....	23.62	20.42	185,933
July	22.39	19.40	194,531
August	19.84	17.93	280,289
September.....	19.30	17.75	344,280
October	18.38	17.48	958,835
November	18.20	16.80	567,455
December (1 - 6).....	17.14	16.60	103,563

<u>Period</u>	<u>Series C Shares (\$) High</u>	<u>Series C Shares (\$) Low</u>	<u>Volume</u>
2012			
November	23.91	23.14	222,286
December.....	24.04	23.31	226,551
2013			
January.....	25.95	24.04	480,660
February.....	25.20	24.70	357,244
March.....	25.90	24.71	527,796
April	25.80	24.20	260,652
May.....	25.24	24.57	249,771
June.....	24.70	21.90	217,319
July	23.44	20.10	192,368
August	21.74	18.91	338,590
September.....	21.59	19.90	283,726
October	20.48	19.69	250,614
November	19.95	18.67	608,199
December (1 - 6).....	19.06	18.35	141,824

<u>Period</u>	<u>Series E Shares (\$) High</u>	<u>Series E Shares (\$) Low</u>	<u>Volume</u>
2012			
November	25.67	25.10	159,234
December.....	25.25	25.00	105,411
2013			
January.....	25.85	25.07	155,544
February.....	25.91	25.41	193,249
March.....	26.00	25.09	200,732
April	26.20	25.51	393,124
May.....	26.00	25.36	165,858
June.....	26.00	24.10	156,283
July	25.05	23.95	139,107
August	24.10	22.60	175,663
September.....	23.66	22.00	136,657
October	23.00	21.60	220,031
November	22.89	21.27	282,966
December (1 - 6).....	22.43	21.55	104,436

CERTAIN CANADIAN FEDERAL 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 may 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

We may sell the Securities to or through underwriters or dealers and also may sell the Securities directly to purchasers or through agents, or through a combination of any of these methods of sale.

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 determined by reference to the prevailing price of a specified security in a specified market 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 increased or decreased by the amount, if any, by which the aggregate price paid for the Securities by the purchasers exceeds or is less than the gross proceeds paid by the underwriter, dealer or agent to us. The price at which the Securities will be offered and sold may vary from purchaser to purchaser and during the period of distribution.

In connection with the sale of the Securities, underwriters, dealers or agents may receive compensation from the Corporation or from other parties, including in the form of underwriters', dealers or agents' fees, commissions or concessions. Underwriters, dealers and agents that participate in the distribution of the Securities may be deemed to be underwriters for the purposes of applicable Canadian securities legislation and any such compensation 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 underwriters', dealers' or agents' compensation or other discount or selling concession to be allowed or re allowed to underwriters' or dealers. Any underwriters, dealers or agents with respect to a particular offering of Securities will be named in the Prospectus Supplement relating to such offering.

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 other than those 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.

Unless otherwise specified in the applicable Prospectus Supplement, this 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 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 Securities are registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration requirements is available. Each underwriter, dealer and agent who participates in the distribution will agree not to sell or offer to sell or to solicit any offer to buy any Securities 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.

RISK FACTORS

Before deciding to invest in any Securities, 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 relating to a specific offering of securities before purchasing the Securities. An investment in the Securities is subject to various risks including those risks inherent to the industries in which TransAlta operates. If any of the events contemplated by these risk factors occurs, TransAlta's production, revenues or financial condition could be materially harmed, which could adversely affect the value of the Securities. Information regarding the risks affecting the Corporation and its business is provided in the documents incorporated by reference in this Prospectus, including in: (i) the Corporation's most recent management's discussion and analysis of financial condition and results of operation relating to the Corporation's most recent annual audited consolidated financial statements under the heading "Risk Factors" and "Risk Management", (ii) the Corporation's most recent annual information form under the heading "Risk Factors", and (iii) the Corporation's most recent management's discussion and analysis of financial condition and results of operations relating to the Corporation's most recent interim unaudited consolidated financial statements filed after the annual consolidated financial statements referred to above under the heading that describes the outlook for the most recent financial year. 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 on behalf of TransAlta by Norton Rose Fulbright Canada 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.

INTEREST OF EXPERTS

The partners and associates of Norton Rose Fulbright Canada LLP as a group beneficially own, directly or indirectly, less than 1% of any class of securities of the Corporation. Ernst & Young LLP has advised that it is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

AUDITORS, TRANSFER AGENT AND REGISTRAR

TransAlta's auditors are Ernst & Young LLP, Chartered Accountants, Calgary, Alberta.

The transfer agent and registrar for the Common Shares, Series A Shares, cumulative redeemable floating rate first preferred shares, Series B, Series C Shares, cumulative redeemable floating rate first preferred shares, Series D, Series E Shares and cumulative redeemable floating rate first preferred shares, Series F in Canada is CST Trust Company at its principal transfer offices in Calgary, Alberta, and Toronto, Ontario. The transfer agent and registrar for the Common Shares in the United States is Computershare Trust Company at its principal office in Jersey City, New Jersey.

PURCHASER'S STATUTORY RIGHTS

Subject to such further disclosure as may be provided in the applicable prospectus supplement, the following is a description of a purchaser's statutory rights in respect of a purchase of Securities under this Prospectus. 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 (irrespective, in the case of an offering on non-fixed price basis, of the determination at a later date of the purchase price of the Securities distributed). 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. In an offering of Subscription Receipts, debt securities which are convertible into other securities of the Corporation or Warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which such securities are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon on conversion, exchange or exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal advisor.

CERTIFICATE OF THE CORPORATION

DATED: December 9, 2013

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) Dawn Farrell
President and Chief Executive Officer

(Signed) Brett Gellner
Chief Investment Officer and Chief Financial Officer

On behalf of the Board of Directors

(Signed) Karen E. Maidment
Director

(Signed) Gordon D. Giffin
Director