

TRANSALTA CORP
Form SUPPL
November 02, 2012

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Filed Pursuant to General Instruction II.L of Form F-10
File No. 333-170465

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Subject to Completion, dated November 2, 2012

**PRELIMINARY PROSPECTUS SUPPLEMENT
(To short form base shelf prospectus dated November 18, 2010)**

US\$

% Senior Notes due 20

TRANSALTA CORPORATION

The Notes (as hereinafter defined) will bear interest at the rate of _____ % per annum. Interest on the Notes is payable on _____ and _____ of each year, beginning on _____, 2013. The Notes will mature on _____, 20_____.

We may redeem some or all of the Notes at any time at the redemption prices described in this Prospectus Supplement (as hereinafter defined). We will also have the option to redeem the Notes in whole and not in part at 100% of the aggregate principal amount of the Notes, plus accrued interest to the date of redemption in the event of certain changes to Canadian withholding tax laws or the enforcement or interpretation thereof.

We will be required to make an offer to repurchase the Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase upon the occurrence of a Change of Control Triggering Event (as hereinafter defined). See "Description of the Notes - Repurchase Upon Change of Control Triggering Event".

The Notes will be direct unsecured obligations and will rank equally and ratably with all of our other unsubordinated and unsecured indebtedness.

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Investing in the Notes involves risks. See "Risk Factors" in this Prospectus Supplement beginning on page S-5 and under the heading "Risk Factors" beginning on page 29 of the accompanying Prospectus (as hereinafter defined).

	Per Senior Note	Total
Public Offering Price ⁽¹⁾	%	US\$
Underwriting Commission	%	US\$
Proceeds to TransAlta (before expenses) ⁽¹⁾	%	US\$

(1) The public offering price of the Notes will also include accrued interest, if any, from November , 2012 to the date of delivery.

The Notes will not be listed on any securities exchange or quotation system and, consequently, there is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this Prospectus Supplement.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY UNITED STATES STATE SECURITIES COMMISSION NOR HAS THE SEC OR ANY UNITED STATES STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This offering is made by a Canadian issuer that is permitted, under the multijurisdictional disclosure system adopted by the United States, to prepare this Prospectus Supplement and the accompanying Prospectus in accordance with Canadian disclosure requirements. Prospective investors should be aware that such requirements are different from those of the United States. The financial statements incorporated herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and they are subject to Canadian auditing and auditor independence standards. As a result, such financial statements may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the securities described in this Prospectus Supplement and the accompanying Prospectus may have tax consequences both in the United States and Canada. Such tax consequences for investors who are resident in, or citizens of, the United States may not be described fully in this Prospectus Supplement or the accompanying Prospectus. You should read the tax discussion under "Certain Income Tax Considerations".

The enforcement by investors of civil liabilities under United States federal securities laws may be affected adversely by the fact that we are incorporated and organized under the laws of Canada, that most of our officers and directors are residents of Canada, that some or all of the underwriters or experts named in this Prospectus Supplement are residents of Canada, and that a substantial portion of our assets and the assets of said persons are located outside the United States.

The earnings coverage ratio on long term debt for the twelve month period ended September 30, 2012 is less than one-to-one and, since the Corporation had a loss for such period, the coverage ratio is negative. See "Earnings Coverage".

The Notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company ("DTC") and its direct and indirect participants on or about November , 2012.

Joint Book-Running Managers

BofA Merrill Lynch
November , 2012

Citigroup

HSBC

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**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 (this "**Prospectus Supplement**"), which describes the specific terms of the senior notes we are offering (the "**Notes**") and also adds to and updates certain information contained in the short form base shelf prospectus of the Corporation dated November 18, 2010 (the "**Prospectus**") and the documents incorporated by reference into this Prospectus Supplement or the accompanying Prospectus. The second part, the accompanying Prospectus, gives more general information. **Defined terms used in this Prospectus Supplement that are not defined herein have the meanings ascribed thereto in the accompanying Prospectus.**

Except as set forth under "The Offering" and "Description of the Notes" in this Prospectus Supplement or under "Description of Debt Securities" in the accompanying Prospectus, and unless the context otherwise requires, all references in this 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.

If the description of the Notes varies between this Prospectus Supplement and the accompanying Prospectus, you should rely on the information in this Prospectus Supplement.

You should rely on the information contained in or incorporated by reference into this Prospectus Supplement and the accompanying Prospectus and any term sheet or other free writing prospectus for this offering that we file with the securities regulatory authorities in Canada or the SEC. 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 Notes 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 accompanying Prospectus is accurate as of any date other than the date on the front of this Prospectus Supplement.

In this Prospectus Supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. "**U.S. dollars**" or "**US\$**" means the lawful currency of the United States. Unless otherwise indicated, all financial information included and incorporated by reference in this Prospectus Supplement and the accompanying Prospectus is determined using IFRS. Therefore, our consolidated financial statements incorporated by reference in this Prospectus Supplement and the accompanying Prospectus, copies of which are available on SEDAR at www.sedar.com and on the SEC's website at www.sec.gov, may not be comparable to financial statements of U.S. companies prepared in accordance with U.S. generally accepted accounting principles.

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The following table sets forth certain rates of exchange for the Canadian dollar based on the noon buying rate as provided by the Bank of Canada (the "**noon buying rate**"). These rates are set forth as U.S. dollars per \$1.00 and are the inverse of rates quoted by the Bank of Canada for Canadian dollars per US\$1.00. On November 1, 2012, the inverse of the noon buying rate was US\$1.0027 equals \$1.00.

	Nine Months Ended September 30,		Year Ended December 31,			
	2012	2011	2010	2009		
High for period	US\$ 1.0299	US\$ 1.0583	US\$ 1.0054	US\$ 0.9716		
Low for period	US\$ 0.9599	US\$ 0.9430	US\$ 0.9278	US\$ 0.7692		
Rate at end of period	US\$ 1.0166	US\$ 0.9833	US\$ 1.0054	US\$ 0.9555		
Average rate for the period ⁽¹⁾	US\$ 0.9977	US\$ 1.0110	US\$ 0.9709	US\$ 0.8757		

- (1) The average of the inverse of the noon buying rate on the last day of each month during the applicable period.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement and the accompanying Prospectus contain both historical and forward-looking statements within the meaning of Section 27A of the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and Section 21E of the United States Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). All forward-looking statements are based on TransAlta's 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. 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 comparable terminology. These statements are not guarantees of TransAlta's future performance and are subject to risks, uncertainties and other important factors that could cause TransAlta's actual performance to be materially different from those projected.

With respect to forward-looking statements contained in this Prospectus Supplement, we have made assumptions regarding, among other things: our ability to close this 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.

In particular, this Prospectus Supplement and the accompanying Prospectus contain forward-looking statements pertaining to the following: the anticipated closing of the offering of the Notes and the use of the proceeds of the offering; expectations relating to the timing of the completion and commissioning of projects under development, including uprates and major projects, and their attendant costs; our estimated spend on growth and sustaining capital and productivity projects; expectations in terms of the cost of operations, capital spend, and maintenance, and the variability of those costs; the impact of certain hedges on future reported earnings and cash flows; expectations related to future earnings and cash flow from operating and contracting activities; estimates of fuel supply and demand conditions and the costs of procuring fuel; our estimated spend on growth and sustaining capital projects; expectations for demand for electricity in both the short-term and long-term, and the resulting impact on electricity prices; expectations in respect of generation availability and production; expectations in terms of the cost of operations and maintenance, and the variability of those costs; expected financing of our capital expenditures; expected governmental regulatory regimes and legislation and their expected impact on us, as well as the cost of complying with resulting regulations and laws; our trading strategy and the risk involved in these strategies; estimates of future tax rates, future tax expense, and the adequacy of tax provisions; accounting estimates;

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expectations for the outcome of existing or potential legal and contractual claims; expectations for the ability to access capital markets at reasonable terms; the impact of certain hedges on future reported earnings; the estimated impact of changes in interest rates and the value of the Canadian dollar relative to the U.S. dollar; the monitoring of our exposure to liquidity risk.

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; 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; operational risks involving our facilities, including unplanned outages at such facilities; 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; the threat of terrorism and cyber-attacks; equipment failure; energy trading risks; industry risk and competition; fluctuations in the value of foreign currencies and foreign political risks; need for additional financing; 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; and development projects and acquisitions.

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 hereof 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 occur to a different extent or at a different time than the Corporation has described or might not occur. The Corporation cannot assure you that projected results or events will be achieved. The foregoing risk factors, among others, including risks relating to the nature of the Notes, are described in further detail under the heading "Risk Factors" in this Prospectus Supplement and in the accompanying Prospectus and in the documents incorporated by reference into this Prospectus Supplement and the accompanying Prospectus, including the Annual MD&A and the Annual Information Form (each as hereinafter defined).

DOCUMENTS INCORPORATED BY REFERENCE

Various documents are incorporated or deemed to be incorporated by reference into the accompanying Prospectus and reference should be made to the accompanying Prospectus for full details. See "Documents Incorporated by Reference" in the accompanying Prospectus. As of the date of this Prospectus Supplement, the following documents filed with the securities commissions or similar authorities in each of the provinces of Canada and with the SEC are specifically incorporated by reference into and form an integral part of this Prospectus Supplement and the accompanying Prospectus:

- (a) consolidated audited financial statements as at December 31, 2011 and 2010, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010 and January 1, 2010 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and 2010, the notes thereto, the auditors' report thereon and the auditors' report on our internal control over financial reporting (incorporated by reference to Exhibit 13.3 to our annual report on Form 40-F filed with the SEC on March 2, 2012, File No. 001-15214, as amended);
- (b) management's discussion and analysis of financial condition and results of operations as at and for the year ended December 31, 2011 ("**Annual MD&A**") (incorporated by reference to Exhibit 13.2 to our annual report on Form 40-F filed with the SEC on March 2, 2012, File No. 001-15214, as amended);

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- (c) annual information form dated March 1, 2012 (the "**Annual Information Form**") for the year ended December 31, 2011 (incorporated by reference to Exhibit 13.1 to our annual report on Form 40-F filed with the SEC on March 2, 2012, File No. 001-15214, as amended);
- (d) consolidated comparative interim unaudited financial statements as at and for the three- and nine-month periods ended September 30, 2012 and 2011 and the notes thereto (incorporated by reference to Exhibit 13.1 to our report on Form 6-K filed with the SEC on October 30, 2012, File No. 001-15214);
- (e) management's interim discussion and analysis of financial condition and results of operations as at and for the three- and nine-month periods ended September 30, 2012 (incorporated by reference to Exhibit 13.2 to our report on Form 6-K filed with the SEC on October 30, 2012, File No. 001-15214);
- (f) management proxy circular dated March 9, 2012 prepared in connection with our annual and special meeting of shareholders held on April 26, 2012 (incorporated by reference to Exhibit 99.1 to our report on Form 6-K filed with the SEC on March 9, 2012, File No. 001-15214); and
- (g) the material change report dated July 26, 2012 (incorporated by reference to Exhibit 99.1 to our report on Form 6-K filed with the SEC on July 26, 2012, File No. 001-15214).

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 accompanying Prospectus, material change reports (excluding confidential material change reports) and business acquisition reports we subsequently file with any securities commissions or similar authorities in Canada after the date of this Prospectus Supplement and prior to the termination of any offering of the Notes under this Prospectus Supplement shall be deemed to be incorporated by reference into this Prospectus Supplement and the accompanying Prospectus. These documents are available through the internet on the System for Electronic Document Analysis and Retrieval ("**SEDAR**"), which can be accessed at www.sedar.com. In addition, any similar documents we file on Form 6-K or Form 40-F with the SEC after the date of this Prospectus Supplement shall be deemed to be incorporated by reference into this Prospectus Supplement or the accompanying Prospectus and the registration statement on Form F-10 of which this Prospectus Supplement and the accompanying Prospectus form a part, if and to the extent expressly provided in such report. Our reports on Form 6-K, and our annual reports on Form 40-F, are available on the SEC's website at www.sec.gov.

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

Copies of the documents incorporated herein by reference (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents) may be obtained on request without charge from the Vice-President and Corporate Secretary of the Corporation at Box 1900, Station "M", 110-12th Avenue S.W., Calgary, Alberta, Canada T2P 2M1, Telephone (403) 267-7110.

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CERTAIN AVAILABLE INFORMATION

We have filed with the SEC under the U.S. Securities Act a registration statement on Form F-10 relating to the Notes and of which this Prospectus Supplement and the accompanying Prospectus form a part. This Prospectus Supplement and the accompanying Prospectus do not contain all of the information set forth in such registration statement, certain items of which are contained in the exhibits to such registration statement as permitted or required by the rules and regulations of the SEC. See "Documents Filed as Part of the Registration Statement" in the accompanying Prospectus. Statements made in this Prospectus Supplement and the accompanying Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete, and in each instance, reference is made to the exhibit, if applicable, for a more complete description of the relevant matter, each such statement being qualified in its entirety by such reference. Items of information omitted from this Prospectus Supplement and the accompanying Prospectus but contained in the registration statement on Form F-10 may be inspected and copied at the public reference facilities maintained at the offices of the SEC described below and are also available on the SEC's website at www.sec.gov.

We are subject to the information requirements of the U.S. Exchange Act, and, in accordance therewith, file reports and other information with the SEC. Under the multijurisdictional disclosure system adopted in the United States and Canada, such reports and other information, subject to certain exceptions, may be prepared in accordance with the disclosure requirements of Canada, which requirements are different from those of the United States. We are exempt from the rules under the U.S. Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short swing profit recovery provisions contained in Section 16 of the U.S. Exchange Act. Under the U.S. Exchange Act, we are not required to publish financial statements as promptly as United States companies. Such reports and other information may be inspected without charge, and copied upon payment of prescribed fees, at the public reference facility maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549 and are also available on the SEC's website at www.sec.gov.

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Optional and Tax Redemption

Prior to _____, (the date that is _____ months prior to the maturity date of the Notes), we may redeem the Notes, in whole or in part, at any time or from time to time, at the "make-whole" price described in this Prospectus Supplement. On or after _____, (the date that is _____ months prior to the maturity date of the Notes), we may redeem the Notes, in whole or in part, at any time or from time to time, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest thereon to the date of redemption.

We may also redeem all of the Notes in whole, but not in part, at the redemption price described in this Prospectus Supplement at any time in the event certain changes affecting Canadian withholding taxes occur. See "Description of the Notes – Tax Redemption".

Change of Control

We will be required to make an offer to repurchase the Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of a Change of Control Triggering Event. See "Description of the Notes – Repurchase Upon Change of Control Triggering Event".

Certain Covenants

The indenture pursuant to which the Notes will be issued contains certain covenants that, among other things, limit:

- our and our subsidiaries' ability to create liens;
- our ability to enter into sale and leaseback transactions; and
- our ability to merge, amalgamate or consolidate with, or sell all or substantially all of our assets to, any other person.

See "Description of Debt Securities – Covenants" in the accompanying Prospectus. These covenants are subject to important exceptions and qualifications that are described under the caption "Description of Debt Securities – Covenants" in the accompanying Prospectus.

Additional Amounts

Any payments we make with respect to the Notes will be made without withholding or deduction for Canadian taxes unless required to be withheld or deducted by law or by the interpretation or administration thereof. Subject to the exceptions and limitations set forth in the accompanying Prospectus, if we are required to withhold or deduct for Canadian taxes with respect to a payment to the holders of Notes, we will pay to any holder of Notes that is a non-resident of Canada under the *Income Tax Act* (Canada) (the "**Tax Act**"), such additional amounts as may be necessary so that every net payment on the Notes after such withholding or deduction will not be less than the amount provided in the Notes to be then due and payable. See "Description of Debt Securities – Payment of Additional Amounts" in the accompanying Prospectus.

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Form	The Notes will be represented by one or more fully registered global notes deposited in book-entry form with, or on behalf of, DTC, and registered in the name of its nominee. See "Description of the Notes – Book-Entry System". Except as described under "Description of the Notes" in this Prospectus Supplement and under "Description of Debt Securities" in the accompanying Prospectus, Notes in certificated form will not be issued.
Governing Law	The Notes and the indenture governing the Notes will be governed by the laws of the State of New York.
Risk Factors	Investing in the Notes involves risks. See "Risk Factors" in this Prospectus Supplement beginning on page S-5 and under the heading "Risk Factors" beginning on page 24 of the accompanying Prospectus.

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TRANSALTA CORPORATION

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

TransAlta and its predecessors have been engaged in the production and sale of electric energy since 1909. The Corporation is among Canada's largest non-regulated electric generation and energy marketing companies with an aggregate net ownership interest of approximately 8,422 megawatts ("MW") of generating capacity operating in facilities having approximately 10,294 MW of aggregate generating capacity⁽¹⁾. In addition, the Corporation has facilities under construction with a net and aggregate ownership interest of 83 MW of generating capacity, as well as 560 MW of generating capacity in facilities under restoration for total net ownership of approximately 9,065 MW of generating capacity in facilities that have or will have aggregate generating capacity of approximately 10,937 MW. The Corporation is focused on generating electricity in Canada, the United States and Australia through its diversified portfolio of facilities fuelled by coal, natural gas, hydroelectric, wind and geothermal resources.

(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 Supplement and represent capacity owned and operated by the Corporation unless otherwise indicated.

In Canada, excluding assets under development and restoration, the Corporation holds a net ownership interest of approximately 6,018 MW of electrical generating capacity in thermal, natural gas-fired, wind-powered and hydroelectric facilities, including 4,754 MW in Western Canada, 1,040 MW in Ontario, 99 MW in Québec and 125 MW in New Brunswick.

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

In Australia, the Corporation has 425 MW of net electrical generating capacity from natural gas-fired generation facilities that are located at customer mine sites.

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

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

RECENT DEVELOPMENTS

On October 26, 2012, TransAlta and MidAmerican Energy Holdings Company announced the creation of a new strategic partnership, which builds on an existing successful relationship between the two

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companies and is designed to develop, build and operate new natural-gas fired electricity generation projects in Canada.

On October 30, 2012, TransAlta announced that, over the next six months, it is realigning the talent of the Company, which will result in the net reduction of approximately 165 positions, the majority of which will be from the Calgary office. The Company expects the realignment to generate approximately \$25 to \$30 million annual cost savings by the end of 2013 and the Company expects to incur a one-time after-tax charge in the 2012 fourth quarter of \$10 to \$15 million related to the realignment.

RISK FACTORS

An investment in the Notes is subject to a number of risks. In addition to the other information contained in and incorporated by reference into this Prospectus Supplement and the accompanying Prospectus, you should consider carefully the risk factors set forth below and under the heading "Risk Factors" in the accompanying Prospectus, "Risk Factors" and "Risk Management" in the Annual MD&A and "Risk Factors" in the Annual Information Form.

There is no public market for the Notes.

The Notes are a new issue of securities for which there is currently no public market. We do not intend to apply for listing of the Notes on any securities exchange. If the Notes are traded after their initial issue, they may trade at a discount from their initial offering prices, depending on prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our financial condition. We cannot assure you as to the liquidity of the trading market for the Notes or that a trading market for the Notes will develop.

Changes in interest rates may cause the market value of the Notes to decline.

Prevailing interest rates will affect the market price or value of the Notes. The market price or value of the Notes may decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt securities decline.

The Notes are unsecured obligations of the Corporation.

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

We may not be able to fulfill our repurchase obligations with respect to the Notes upon a change of control.

If we experience a Change of Control Triggering Event, we will be required to make an offer to repurchase all outstanding Notes at a repurchase price equal to 101% of the principal amount of the Notes repurchased, plus accrued and unpaid interest, if any, to the applicable repurchase date. Failure to repurchase, or to make an offer to repurchase, the Notes would constitute a default under the indenture governing the Notes, which would also constitute a default under certain instruments governing our existing indebtedness. See "Description of the Notes - Repurchase Upon Change of Control Triggering Event".

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If a Change of Control Triggering Event were to occur, we cannot assure you that we would have sufficient funds to repay any Notes that we would be required to offer to repurchase, or to satisfy any other obligations that would become immediately due and payable under the other instruments governing our indebtedness, as a result of such Change of Control Triggering Event. In order to satisfy our obligations, we may attempt to refinance our indebtedness or obtain consents from our other lenders or from the holders of the Notes. We cannot assure you that we would be able to refinance our indebtedness or obtain such consents on satisfactory terms or at all.

USE OF PROCEEDS

We expect that the net proceeds from this offering will be approximately US\$ million after deducting underwriting commissions and estimated expenses of this offering. All of the net proceeds from the sale of the Notes will be used to repay borrowings under existing credit facilities and for general corporate purposes. Certain affiliates of the underwriters are lenders under our existing credit facilities and, as a consequence, may receive a portion of the proceeds from this offering. See "Underwriting Conflicts of Interest".

CHANGES IN CONSOLIDATED CAPITALIZATION

Other than the effect of the Notes offered under this Prospectus Supplement and changes in foreign currency exchange rates on U.S. dollar denominated loans, there have been no material changes in our consolidated capitalization during the period from September 30, 2012 through the date of this Prospectus Supplement. The proceeds of this offering will be initially used to repay amounts owing under existing credit facilities which are considered long-term debt. As a result, this offering will not result in an increase in our long-term debt except to the extent of discounts, commissions and other expenses of the offering.

DESCRIPTION OF THE NOTES

The following description of the terms of the Notes supplements, and to the extent inconsistent therewith replaces, the description set forth under the heading "Description of Debt Securities" in the accompanying Prospectus and should be read in conjunction with such description. In this section, "Corporation" refers only to TransAlta Corporation and not to any of its subsidiaries, unless otherwise stated. All capitalized terms used under this heading "Description of the Notes" that are not defined herein have the meanings ascribed thereto in the accompanying Prospectus.

General

The Notes will be direct unsecured obligations of the Corporation and will rank equally and ratably with all other unsubordinated and unsecured indebtedness of the Corporation.

Payment of the principal, premium, if any, and interest on the Notes will be made in U.S. dollars.

The provisions of the Indenture relating to the payment of additional amounts in respect of Canadian withholding taxes in certain circumstances (described under the heading "Description of Debt Securities Payment of Additional Amounts" in the accompanying Prospectus) and the provisions of the Indenture relating to the redemption of Notes in the event of specified changes in Canadian withholding tax laws or the enforcement or interpretation thereof on or after the date of this Prospectus Supplement (described under the heading "Description of the Notes Tax Redemption") will apply to the Notes.

The Notes will be effectively subordinated to all indebtedness and other liabilities of the Corporation's subsidiaries, except to the extent the Corporation is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. As at September 30, 2012, the Corporation's subsidiaries had approximately \$545 million of total debt outstanding (excluding intercompany indebtedness).

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The Notes will initially be issued in an aggregate principal amount of US\$ _____ million and will mature on _____, 20____. The Notes will bear interest at the rate of _____ % per annum from November _____, 2012 or from the most recent date to which interest has been paid or provided for, payable semi-annually on _____ and _____ of each year, commencing _____, 2013, to the persons in whose names the Notes are registered at the close of business on the preceding _____ or _____, respectively. Interest shall be computed assuming a 360-day year consisting of twelve 30-day months.

The Corporation may from time to time, without the consent of the holders of the Notes, create and issue additional Notes after this offering. The Notes and any additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture (except in respect of the payment of interest accruing prior to the issue date of the additional Notes and the first payment of interest following the issue date of the additional Notes), including, without limitation, waivers, amendments, redemptions and offers to purchase.

The Notes will be issuable in minimum denominations of US\$2,000 or integral multiples of US\$1,000 in excess thereof.

The Notes will not be entitled to the benefits of any sinking fund.

Optional Redemption

Prior to _____, _____ (the date that is _____ months prior to the maturity date of the Notes), the Notes will be redeemable as a whole, or in part, at the option of the Corporation at any time, at a redemption price equal to the greater of: (i) 100% of the principal amount of such Notes and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus _____ basis points, plus in each case, accrued interest thereon to the date of redemption.

On or after _____, _____ (the date that is _____ months prior to the maturity date of the Notes), the Notes will be redeemable as a whole, or in part, at the option of the Corporation at any time, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest thereon to the date of redemption.

"**Comparable Treasury Issue**" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Notes.

"**Comparable Treasury Price**" means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"**Independent Investment Banker**" means one of the Reference Treasury Dealers appointed by the Corporation.

"**Reference Treasury Dealer**" means each of Citigroup Global Markets Inc., HSBC Securities (USA) Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, plus one other to be determined by the Corporation, or their respective affiliates which are primary U.S. Government securities dealers, and their respective successors; provided, however, that if any of the foregoing or their respective affiliates shall cease to be a primary U.S. Government securities dealer in The City of New York (a "**Primary Treasury Dealer**"), the Corporation shall substitute therefor another Primary Treasury Dealer.

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"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Corporation or the Independent Investment Banker, of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Corporation or the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

"**Treasury Rate**" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of Notes to be redeemed.

Unless the Corporation defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Notes or portions thereof called for redemption.

Repurchase Upon Change of Control Triggering Event

If a Change of Control Triggering Event occurs, unless the Corporation has exercised its right to redeem the Notes as described under "Optional Redemption", each holder of Notes will have the right to require the Corporation to purchase all or a portion of such holder's Notes pursuant to the offer described below (the "**Change of Control Offer**"), at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date.

Within 30 days following the date upon which the Change of Control Triggering Event occurred, or at the Corporation's option, prior to any Change of Control but after the public announcement of the pending Change of Control, the Corporation will be required to send, by first class mail, a notice to each holder of Notes, with a copy to the Trustee, which notice will govern the terms of the Change of Control Offer. Such notice will state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date such notice is mailed, other than as may be required by law (the "**Change of Control Payment Date**"). The notice, if mailed prior to the date of consummation of the Change of Control, will state that the Change of Control Offer is conditional on the Change of Control being consummated on or prior to the Change of Control Payment Date. Holders of Notes electing to have Notes purchased pursuant to a Change of Control Offer will be required to surrender their Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, to the paying agent at the address specified in the notice, or transfer their Notes to the paying agent by book-entry transfer pursuant to the applicable procedures of the paying agent, prior to the close of business on the third business day prior to the Change of Control Payment Date.

The Corporation will not be required to make a Change of Control Offer if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for such an offer made by the Corporation and such third party purchases all Notes properly tendered and not withdrawn under its offer.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, transfer, conveyance or other disposition of "all or substantially all" of the assets of the Corporation and its subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Corporation to repurchase its Notes as a result of a sale, transfer, conveyance or other disposition of less than all of the assets of the Corporation and its subsidiaries taken as a whole to another "person" may be uncertain. In addition, a recent Delaware

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Chancery Court decision raised questions about the enforceability of provisions, which are similar to those in the Indenture, related to the triggering of a change of control as a result of a change in the composition of a board of directors. Accordingly, the ability of a holder of Notes to require the Corporation to repurchase its Notes as a result of a change in the composition of the board of directors of the Corporation may be uncertain.

"Below Investment Grade Rating Event" means the Notes are rated below an Investment Grade Rating by each of the Rating Agencies (as hereinafter defined) on the 60th day following the occurrence of a Change of Control (which date shall be extended if the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies on such 60th day, such extension to last until the date on which the Rating Agency considering such possible downgrade either (x) rates the Notes below an Investment Grade Rating or (y) publicly announces that it is no longer considering the Notes for possible downgrade; *provided* that no such extension shall occur if any of the Rating Agencies rates the Notes with an Investment Grade Rating that is not subject to review for possible downgrade on such 60th day).

"Change of Control" means the occurrence of any of the following:

- (a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger, amalgamation, arrangement or consolidation), in one or more series of related transactions, of all or substantially all of the Corporation's assets and the assets of its subsidiaries, taken as a whole, to any person, other than to the Corporation or one of its subsidiaries;
- (b) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person (other than a subsidiary of the Corporation) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act), directly or indirectly, of more than 50% of the Corporation's outstanding Voting Shares or other Voting Shares into which the Corporation's Voting Shares are reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares;
- (c) the Corporation consolidates with, or merges or amalgamates with or into, or enters into an arrangement with, any person, or any person consolidates with, or merges or amalgamates with or into, the Corporation, in any such event pursuant to a transaction in which any of the Corporation's outstanding Voting Shares or the Voting Shares of such other person are converted into or exchanged for cash, securities or other property, other than any such transaction where the Corporation's Voting Shares outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Shares of the surviving person or any direct or indirect parent company of the surviving person immediately after giving effect to such transaction;
- (d) the first day on which a majority of the members of the board of directors of the Corporation cease to be Continuing Directors; or
- (e) the adoption of a plan relating to the liquidation or dissolution of the Corporation.

Notwithsta