



\$1.78 Billion Investment in High Quality Australian Portfolio

March 23, 2015

TransAlta renewables inc.

A preliminary prospectus containing important information relating to the securities described in this document has not yet been filed with the securities regulatory authorities in each of the provinces of Canada. A copy of the preliminary short form prospectus is required to be delivered to any investor that received this document and expressed an interest in acquiring the securities. There will not be any sale or acceptance of an offer to buy the securities until a receipt for the final prospectus has been issued. This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the preliminary short form prospectus, the final short form prospectus and any amendment for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

Disclaimer

Certain statements contained in this document constitute forward-looking statements. These statements relate to future events or TransAlta Renewables Inc.'s ("TransAlta Renewables" or the "Company") future performance. All statements other than statements of historical fact are forward-looking statements. All forward-looking statements are based on our beliefs as well as assumptions based on information available at the time the assumptions were made and on management's experience and perception of historical trends, current conditions, and expected future developments, as well as other factors deemed appropriate in the circumstances. Forward-looking statements are not facts, but only predictions and generally can be identified by the use of statements that include phrases such as "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential" and "capable" or other similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this presentation should not be unduly relied upon. These statements speak only as of the date of this presentation. In addition, this presentation may contain forward-looking statements and forward-looking information attributed to third party industry sources. Specifically, this presentation contains forward-looking statements pertaining to: the completion, size, and timing of the transaction described herein (the "Transaction"); the composition of the shareholdings of the Company upon completion of the Transaction; expectations and plans for future growth, including expansion into existing and new markets and other forms of power generation and acquisition activities, including acquisition activities involving TransAlta Corporation ("TransAlta"); success in executing on growth projects; the timing and completion and commissioning of projects under development, including major projects such as the South Hedland power station, and forecasts of cash available for distribution and dividend growth; the need for additional capital and the expected sources of, and access to, such capital; the availability of sufficient liquidity for future growth and payment of dividends to shareholders; expectations for the growth in demand for electricity in Canada, the U.S. and Australia; the possibility of the transfer of future assets held by TransAlta to the Company; the Company's expectations regarding the availability of industry consolidation opportunities in the future; possible changes in the regulatory regimes of the jurisdictions in which the Company operates or intends to operate; and the development, construction or operation of new renewable energy facilities including TransAlta's involvement in sourcing opportunities for the Company; and expectations regarding TransAlta's continued ownership of common shares in the capital of the Company. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this presentation are made as of the date of this presentation, and the Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities regulations. The forward-looking statements contained in this presentation are expressly qualified by this cautionary statement.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors and assumptions made by the Company as listed in this presentation and numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: fluctuations in market prices and the availability of fuel supplies required to generate electricity; our ability to contract our generation for prices that will provide expected returns; the regulatory and political environments in the jurisdictions in which we operate; 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; the effects of weather; disruptions in the source of fuels, water, or wind required to operate our facilities; natural or man-made disasters; the threat of domestic terrorism and cyberattacks; equipment failure and our ability to carry out or have completed the repairs in a cost-effective manner or timely manner; commodity risk management; industry risk and competition; fluctuations in the value of foreign currencies and foreign political risks; the need for additional financing; structural subordination of securities; counterparty credit risk; insurance coverage; our provision for income taxes; legal, regulatory, and contractual proceedings involving the Company; outcomes of investigations and disputes; reliance on key personnel; labour relations matters; development projects and acquisitions, including delays in the permitting and construction of the South Hedland Power Project; failure to proceed with plans for the sale of contracted assets to the Company as a result of failure to agree to commercial terms with the independent directors of the Company, adverse market conditions or failure to obtain any required regulatory, shareholder or other third party approvals; and the satisfactory receipt of applicable regulatory approvals for existing and proposed operations and growth initiatives.

Disclaimer

Actual results could differ materially from those anticipated in these forward-looking statements and the reader should review the risk factors of the Company as disclosed in the Company's Annual Information Form and as described in the Company's Management's Discussion and Analysis which are all, or in the case of the short form prospectus, will be, filed on SEDAR at www.sedar.com. These forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from results expressed in the presentation, including but not limited to: risks pertaining to the Transaction, regulatory parameters, project approval and support, weather, economic and competitive conditions, changes in tax law and tax rate increases, exchange rates, interest rates, and other risk factors that will be contained in the Company's prospectus in connection with the Offering and the risk factors contained in the Company's circular to be prepared in connection with the shareholder meeting required in connection with the Transaction.

The Company evaluates its performance and the performance of our business segments using a variety of measures. Certain of the financial measures discussed in this presentation are not defined under International Financial Reporting Standards (IFRS) and, therefore, should not be considered in isolation or as an alternative to or to be more meaningful than net earnings attributable to common shareholders or cash flow from operating activities, as determined in accordance with IFRS, when assessing the financial performance or liquidity of the Company. These measures may not be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

"Comparable funds from operations" (FFO) is calculated as cash flow from operating activities before changes in working capital and is adjusted for transactions and amounts that the Company believes are not representative of ongoing cash flows from operations.

"Comparable EBITDA" is calculated as earnings before interest, taxes, depreciation, and amortization and is adjusted for transactions and amounts that the Company believes are not representative of ongoing business operations. "Adjusted EBITDA" is calculated as earnings before interest, taxes, depreciation, and amortization and is adjusted, in whole or in part, for comparable adjustments and for assumptions or estimates regarding future events rather than solely on historical financial information and is, therefore, subject to risks and uncertainties that actual results will vary from expected results.

"Cash Available for Distribution" (CAFD) represents the amount of cash generated from operations, before changes in working capital and after deducting sustaining capital expenditures, scheduled principal repayments of debt and distributions to non-controlling interests.

Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

Advisory

United States

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TransAlta Renewables Inc. is a Company incorporated under the laws of Canada. The Company does not hold any tangible assets in the United States and holds an economic interest in a Wyoming wind farm. As a result, it may be difficult for investors to enforce civil liabilities under the United States federal securities laws.

THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS COMMUNICATION. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE

Transaction Overview

- TransAlta Renewables will invest in TransAlta's Australian power generation and gas pipeline portfolio¹
- Transaction value of C\$1.78 billion, creating a company with a fully-funded enterprise value of approximately \$4.0 billion
- Once South Hedland is completed, TransAlta Renewables' CAFD is expected to increase by approximately \$127 million, or a 140% increase from 2014
- Assets include high quality, operating, contracted gas-fired generation, electric transmission and a natural gas transmission pipeline, as well the South Hedland power station that is expected to be operational in 2017
- Deal is financed through an offering of \$200 million (base deal) of Subscription Receipts and shares issued to TransAlta
 - Debt and internally generated cash will be used to fund the construction of South Hedland
- Immediate dividend increase of 9% at closing, and an expected additional 6%-7% increase once South Hedland is fully commissioned
- Transaction consistent with strategy to invest in long-term contracted assets, including renewables, gas fired generation, and other infrastructure assets

¹ TransAlta Renewables' investment will consist of the acquisition of securities which track the cash flows of TransAlta's Australian power generation and gas pipeline portfolio

Investment Highlights

Highly Accretive

- Expected mid-teen CAFD/share percent increase
- Immediate dividend increase of 9% upon closing
- Expected additional 6-7% dividend increase once South Hedland is completed

Strong Support from TransAlta as Sponsor

- TransAlta will remain the sponsor and majority shareholder
- TransAlta will continue to manage and maintain the assets
- TransAlta retains the capital and timing risks associated with South Hedland

Long-term Contracts

- Portfolio highly contracted for an average life of ~18 years
- Toll-based contracts enhance predictability of financial results

Significant Scale & Diversification

- More than doubles the size of the Company in terms of Enterprise Value and anticipated cash flow
- Additional cash flow diversification through complementary technologies (gas-fired generation, transmission), customers, facilities and regions
- Significant increase in the public float

Inherent Growth

- Right of First Offer (“ROFO”) on potential South Hedland and gas pipeline expansions
- Positions TransAlta Renewables for future growth in Australia
- Opportunity to invest in other contracted gas-fired and renewable assets owned by TransAlta (additional drop-downs)

Transformative Transaction

| | Pre-Transaction ¹ | Post-Transaction ² | |
|--|------------------------------|---|---|
| Enterprise Value | • \$2.2 billion | • \$4.0 billion | ↑ |
| Market Cap | • \$1.5 billion | • \$2.8 billion | ↑ |
| Public Float³ | • \$445 million | • \$675 million | ↑ |
| Comparable FFO (Annualized) | • \$140 million | • \$290 million | ↑ |
| CAFD (Annualized) | • ~\$90 million | • ~\$215 million | ↑ |
| FFO/Debt | • 22% | • 26% | ↑ |
| Dividend per share (Annualized) | • \$0.77 | • \$0.84 at closing • Additional ~6-7% increase expected once South Hedland is completed | ↑ |
| Asset Mix | • Wind • Hydro | • Wind • Hydro • Gas Generation • Gas Pipeline • Electric Transmission | ↑ |

Notes:

All figures rounded to the nearest million \$

¹ Based on 2014 results and closing share price as of March 20, 2015

² Estimates only for when South Hedland is fully commissioned, and subject to changes in current share price and timing of cash flows

³ Based on base offering size of \$200 million and 15% over-allotment option that is fully exercised

High Quality Portfolio

- The cash flows are generated from a portfolio consisting of 575 MW of gas-fired generation, a 270 km gas pipeline and 500 km of transmission infrastructure
- Includes 12 GE LM6000 gas turbines, a highly proven technology



- **Southern Cross**
 - 245 MW generation & 500 km transmission
 - PPA to 2023 with BHP



- **Parkeston (50% interest)**
 - 55 MW generation
 - PPA to 2016 with Newmont



- **Solomon**
 - 125 MW generation
 - PPA to 2033¹ with FMG



- **Fortescue River Gas Pipeline (43% interest)**
 - 270 km gas pipeline
 - PPA to 2035 with FMG
 - COD Q1 2015

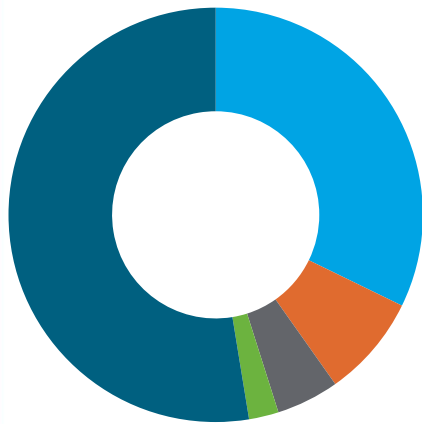


- **South Hedland**
 - 150 MW generation
 - Two PPAs expiring in 2042 with Horizon Power & FMG
 - COD expected first half of 2017

Increased Diversification

- Significant increase in cash flow, technology, geographic and customer diversification

Significant Diversification¹



- Eastern Canada Wind
- Western Canada Wind
- Hydro
- U.S. Wind
- Western Australia



- Pipeline
- Hydro
- Wind
- Gas-Fired

Highly diversified cash flows from 37 operating sites spanning seven regions

High Quality Counterparties



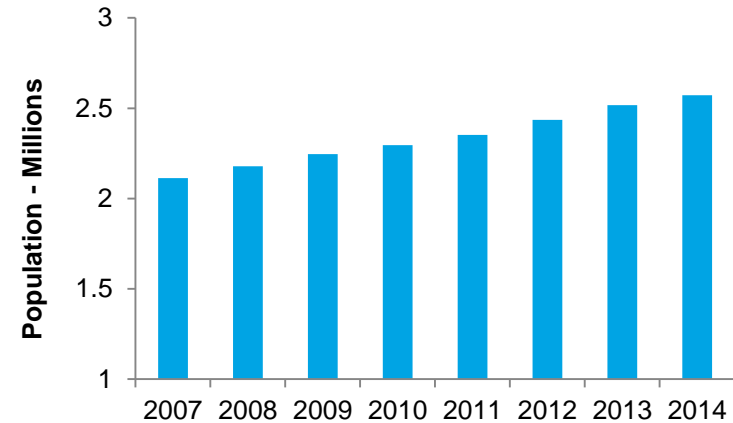
Note:

¹ Based on EBITDA contribution including the estimated contribution for a full year of operations from the Fortescue River Gas Pipeline and the South Hedland Power Station

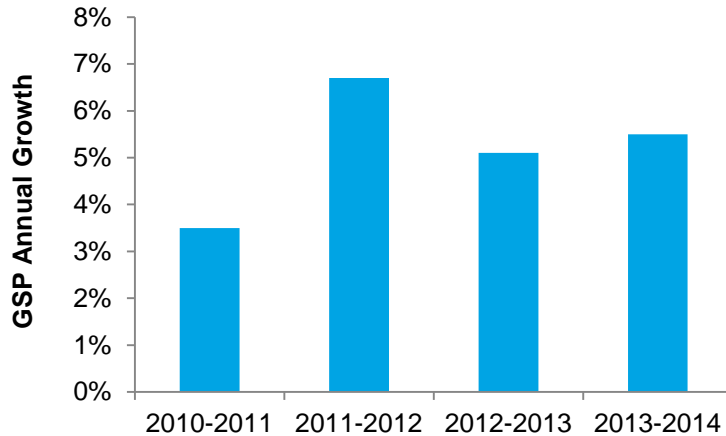
Attractive Western Australia Market Fundamentals

- Western Australia, where the portfolio is located, has experienced significant growth, resulting in a need for additional power generation
- TransAlta has been highly successful in participating in this growth, and anticipates the need for additional investment in the future

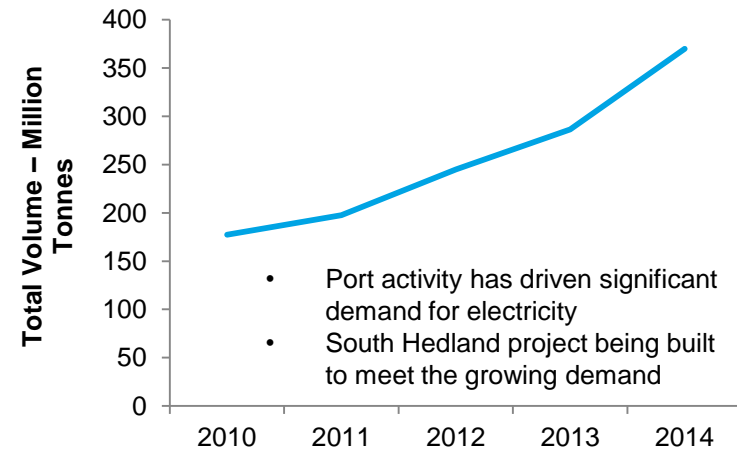
Population Growth in Western Australia



Western Australia Gross State Product (GSP)

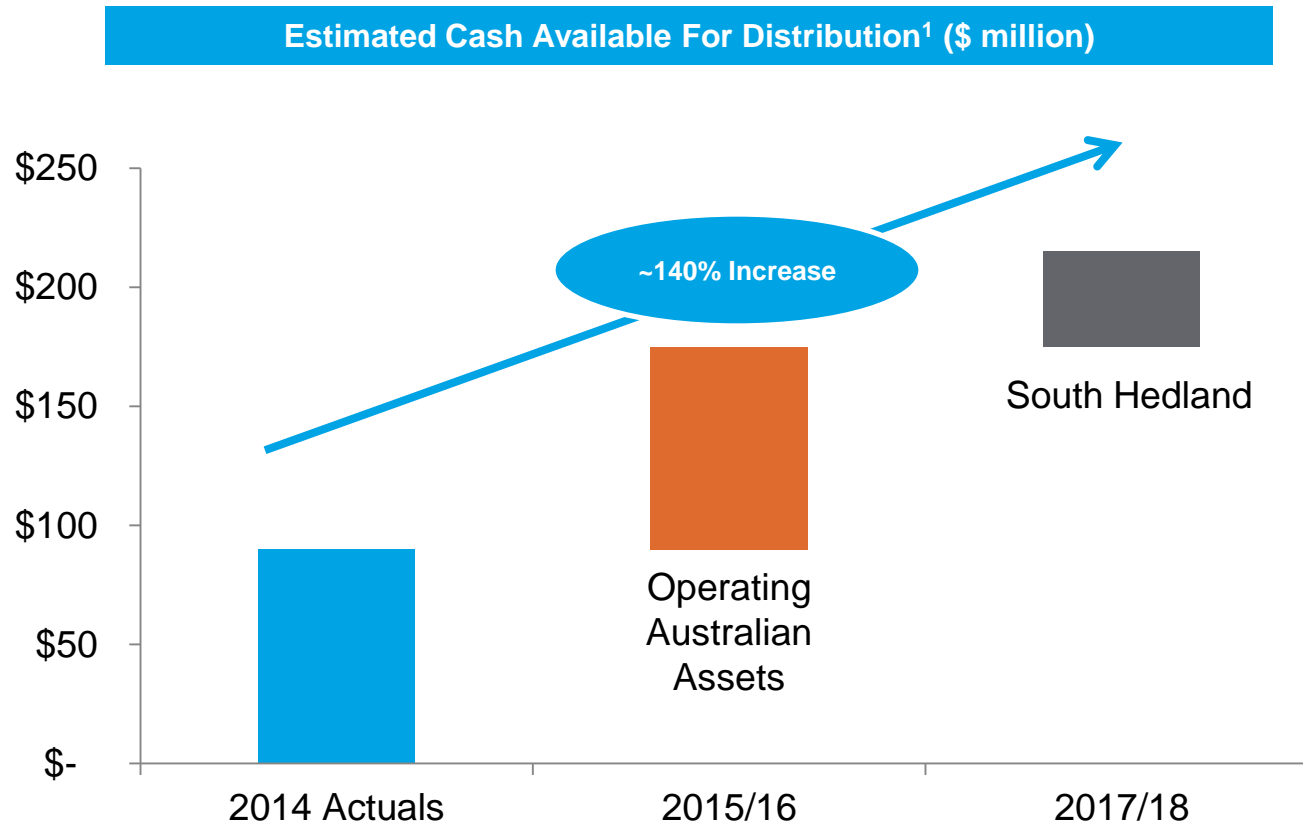


Export Volume from Port Hedland



Significant Increase in CAFD

- Transaction is expected to increase CAFD by approximately \$127 million, an ~140% increase from 2014

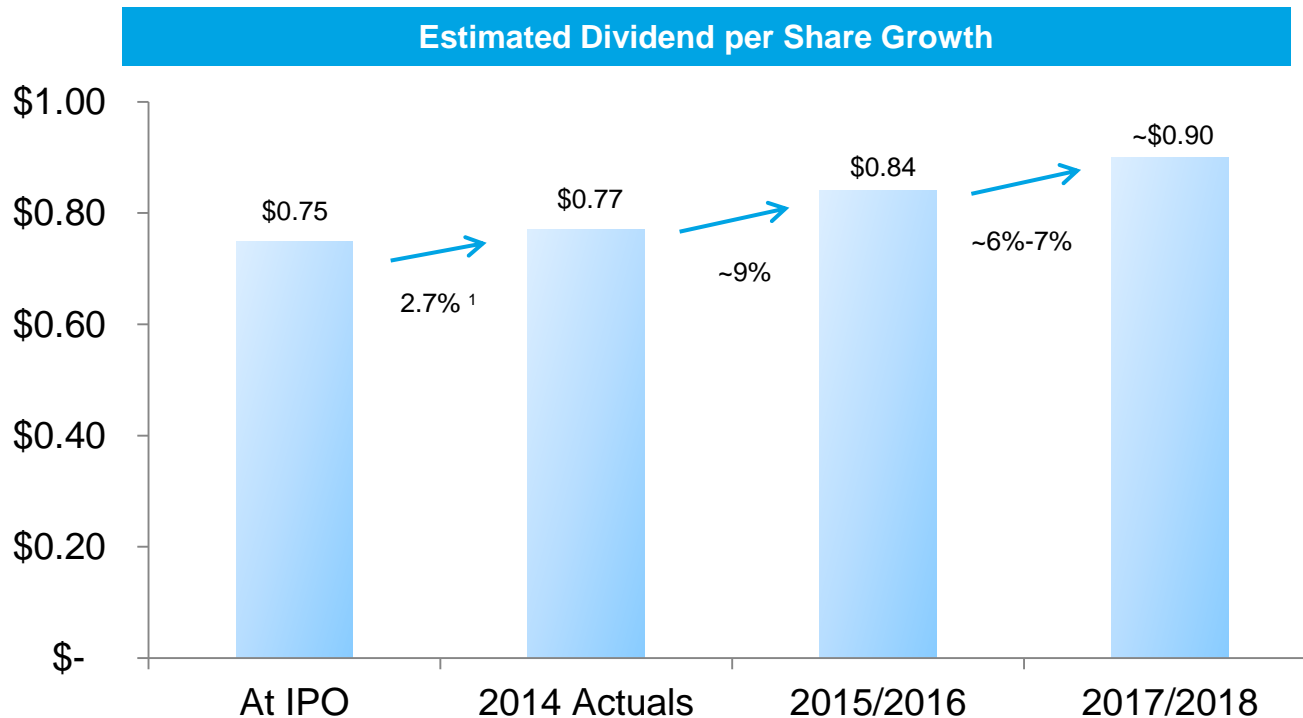


Notes:

¹ Refer to Appendix A for additional information on CAFD

Immediate and Future Dividend Growth

- Immediate dividend increase of 9% upon closing of the transaction
 - Annualized dividend increase from \$0.77 to \$0.84 per share
- Expected additional dividend increase of 6% to 7% once South Hedland is fully commissioned
- Additional potential growth from ROFO assets and other future drop-downs
- Targeting a dividend payout ratio of 80% to 85% of CAFD



Notes:

¹ 2.7% dividend increase associated with the 144 MW Wyoming Wind transaction

Potential for Future Growth

Expansion of South Hedland

- Potential for additional generation at South Hedland
- TransAlta Renewables has a ROFO to invest in this opportunity

Expansion of Gas Pipeline

- The gas pipeline has been designed with excess capacity to facilitate potential extension into other mines
- TransAlta Renewables has a ROFO to invest in these extension opportunities

Other Drop-Downs from TransAlta

- TransAlta has a number of other fully contracted gas and renewables assets located in Canada that are suitable for TransAlta Renewables
- TransAlta continues to explore contracted acquisition and greenfield growth, investments which could become future drop-down candidates for TransAlta Renewables

Transaction Structured to Manage Key Risks

Currency Risk Mitigated 5 Years Out

- Portfolio cash flows hedged in Canadian dollars for next five years
- TransAlta Renewables will determine appropriate hedging levels post initial five year period

South Hedland Greenfield Risk Mitigated

- Certain cost and timing protections relating to South Hedland provided by TransAlta
- Alignment of interests given that TransAlta's non-dividend paying Class B Shares do not convert to common shares until South Hedland achieves COD
- Reimbursement mechanism to TransAlta Renewables in event of delay of COD

PPA Features

- Certain power purchase arrangements ("PPA") have fuel and environmental cost pass-throughs, and annual escalators, providing support for a stable cash flow profile

Concurrent Public Equity Offering

- Subscription Receipt bought deal offering
 - \$200 MM base deal + 15% over-allotment option
 - Locks in equity financing and pricing today supporting accretion
 - Subscription Receipts (provides assurance of funding for the transaction)
 - Convert into Common Shares in association with closing of the Transaction

Class B Shares

- Issued to TransAlta at closing of the Transaction
- Mitigates South Hedland construction risk to TransAlta Renewables
- Non-dividend paying until South Hedland is fully commissioned at which time they convert to Common Shares
- Number of Class B Shares will be adjusted based on actual South Hedland project costs relative to the budgeted costs to help maintain TransAlta Renewables' anticipated project return

Financing

- Transaction financed initially through a \$200 million (base deal) offering of Subscription Receipts (convertible to Common Shares) and shares issued to TransAlta
- Internally generated cash flow and borrowings under a credit facility will be used to fund the remaining construction costs of South Hedland
- The total number of dividend paying shares outstanding will be 190.8 million, which will increase to 216.8 million¹ once South Hedland is commissioned and the Class B Shares convert
- TransAlta's ownership, assuming over-allotment is fully exercised, will be ~76%

Approximate Funding (\$ millions)

Initial Funding

| | |
|--|-----------------|
| RNW Offering (Net Proceeds) ¹ | \$ 220 |
| Common Shares Issued to TA | \$ 734 |
| Class B Shares Issued to TA ² | <u>\$ 330</u> |
| Sub-total | \$ 1,284 |

Funding for South Hedland³

| | |
|--|---------------|
| Estimated Internally Generated Cash Flow | \$ 81 |
| Debt Facility ² | <u>\$ 410</u> |
| Sub-total | \$ 491 |

Total

| | |
|--|------------------------|
| | <u>\$ 1,775</u> |
|--|------------------------|

Notes:

¹ Assumes over-allotment option is fully exercised

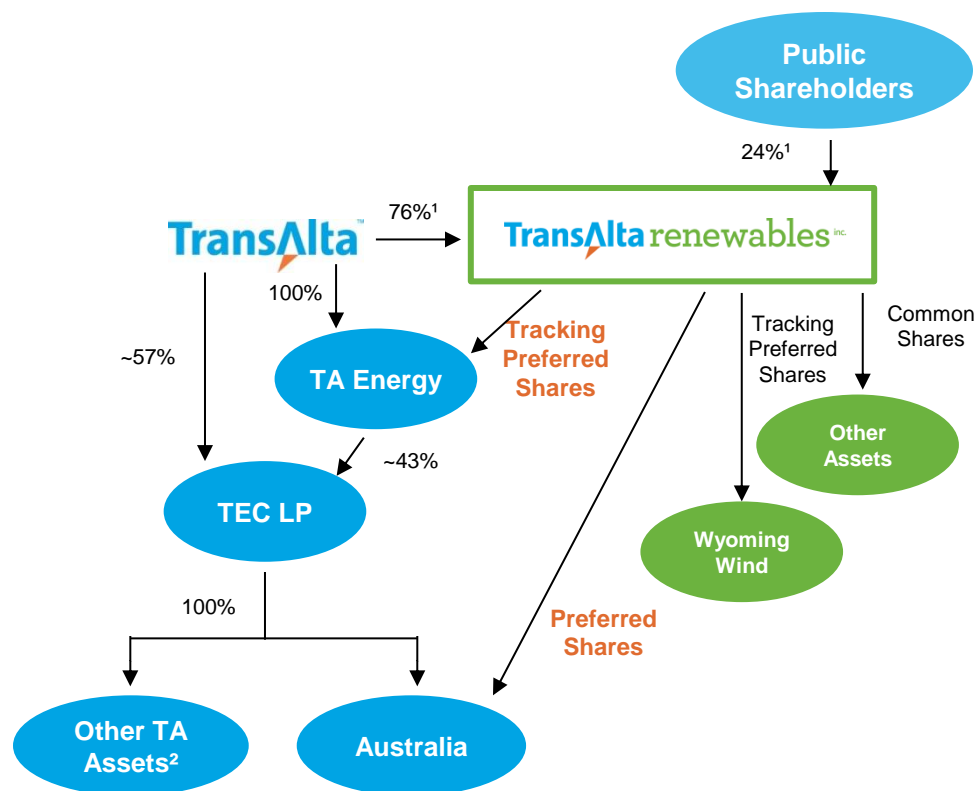
² Non-dividend paying until South Hedland is commissioned and assumes a 1:1 conversion into common shares when South Hedland is commissioned

³ Expected to be funded over the 2015-2017 period

Attractive Structure Positions for Future Drop-downs

- TransAlta Renewables receives the full economic benefit of the cash flows from TransAlta's Australian portfolio by investing in preferred share instruments
- The structure is designed to allow TransAlta Renewables to invest in other potential drop-down investments

Investment Structure



Notes:

¹ Based on a \$200 million offering and 15% over-allotment

² Includes renewable and gas-fired generation assets which may be suitable investments for TransAlta Renewables in the future

Timeline

- Targeted Key Dates:
 - Closing of Subscription Receipts: April 15
 - Management proxy circular mailed: April 15
 - Special meeting of Shareholders: May 7
 - Closing of Transaction: May 8
- Key Closing Conditions:
 - Shareholder vote from minority shareholders
 - Australian Foreign Investment Review Board Approval

Summary

- Highly accretive transaction supporting strong dividend growth
- Significant increase in TransAlta Renewables' scale, contract life and cash flow diversification
- Continued strong sponsorship from TransAlta including retention of construction risk at South Hedland
- Enhanced opportunities for future growth



Appendix A

Estimated Cash Available for Distribution from the Australian Portfolio

Disclaimer

- The information summary contained may be considered a financial outlook, but is not a forecast or projection of future results.
- The actual results of operation of the Australian portfolio for any period are expected to vary from the amounts set forth herein, and such variations may be material.
- In reviewing the summary in this Appendix A, reference should be made to the audited financial statements of TransAlta Energy (Australia) Pty Ltd. for the twelve-month period ending December 31, 2014, which will be contained within the short-form prospectus.
- There is no standard definition of Cash Available for Distribution (“CAFD”) prescribed by IFRS, and other issuers may calculate CAFD differently. TransAlta Renewables believes that CAFD is an important operating and financial performance measure and one that is used by many investors and financial analysts to evaluate companies similar in nature to TransAlta Renewables.

Estimated CAFD

- The CAFD from the Australian portfolio is estimated to be approximately \$127 million once South Hedland is commissioned and a full year of operations is realized from that project and the gas pipeline

| | <u>Currency</u> | <u>Notes</u> | (millions \$) |
|---|-----------------|--------------|---------------|
| Twelve-month period ending December 31, 2014 | | | |
| Profit After Income Tax and Total Comprehensive Income | Aus \$ | 1 | \$ 37 |
| Add: Depreciation & Amortization | Aus \$ | 1 | \$ 17 |
| Add: Income tax expense | Aus \$ | 1 | \$ 16 |
| Add: Finance costs | Aus \$ | 1 | \$ 33 |
| Add: Other loss on derivatives designated as cash flow hedges | Aus \$ | 1 | \$ 1 |
| Add: Decommissioning expense & Gain/(Loss) on asset disposal | Aus \$ | 1 | \$ 1 |
| Deduct: Finance lease receivable adjustment | Aus \$ | 1 | \$ (1) |
| Adjusted EBITDA | Aus \$ | 2 | \$ 104 |
| Management estimates that the following amount will affect Adjusted EBITDA | | | |
| Deduct: Management Fee Adjustment | Aus \$ | 3 | \$ (1) |
| Add: Full year of Operation of Fortescue Gas River Pipeline | Aus \$ | 4 | \$ 13 |
| Add: Full year of Operation of South Hedland power station | Aus \$ | 5 | \$ 88 |
| Estimated Adjusted EBITDA | Aus \$ | 2 | \$ 205 |
| Management estimates that the following amount will reduce the amount of cash available for distribution | | | |
| Deduct: Cash and Withholding Taxes | Aus \$ | 6 | \$ (30) |
| Deduct: Maintenance Capital Expenditures | Aus \$ | 7 | \$ (8) |
| Estimated CAFD Prior to Debt Service | Aus \$ | 2 | \$ 167 |
| Estimated CAFD Prior to Debt Service | Cdn\$ | 2,8 | \$ 160 |
| Deduct: Interest & Principal Payments | Cdn\$ | 9 | \$ (33) |
| Estimated CAFD After Debt Service | Cdn\$ | 2 | \$ 127 |

Notes

- (1) Profit After Income Tax and Total Comprehensive Income, Depreciation, Amortization, Income Tax Expense, Finance Costs, Decommissioning Expense, Gain/(Loss) on asset disposal, Other loss on derivatives, and Finance Lease adjustment for the twelve-month period ending December 31, 2014 are derived from the Audited Financial statements for TransAlta Energy (Australia) Pty Ltd. which will be contained in the short-form prospectus.
- (2) Adjusted EBITDA, Estimated Adjusted EBITDA and Cash Available for Distribution ("CAFD") do not have a standardized meaning as prescribed by IFRS. CAFD Prior to Debt Service and Estimated CAFD After Debt Service in this section represent management's estimate of the performance of the Company for a full year basis assuming all facilities are fully operational and no one-time events or costs have occurred.
- (3) An amount to reflect the difference between expected actual management expenses and the contracted management fee charged by TransAlta Corporation.
- (4) The Fortescue River Gas Pipeline is 43% owned by TransAlta Corporation and commenced commercial operations in March, 2015. This adjustment represents amounts attributable to the pipeline assuming it has been operational for an entire year and based on the 20 year tolling agreement with a subsidiary of Fortescue Metals Group Ltd.
- (5) The South Hedland power station is a 150 MW power station currently under construction by TransAlta Corporation for an estimated capital cost of Australian dollars \$570 million. The South Hedland power station is expected to reach commercial operation in the first six months of 2017. This adjustment represents amounts attributable to the power station assuming it has been operational for an entire year, and the EBITDA is based on the 20 year power purchase arrangements that have been entered into between a subsidiary of TransAlta Energy (Australia) Pty Ltd. and Horizon Power, a Western Australian State owned utility, and a subsidiary of Fortescue Metals Group Ltd.
- (6) Estimated cash taxes and withholding taxes to be paid by TransAlta Energy (Australia) Pty Ltd. at the prevailing tax rates after considering the use of all available deductions.
- (7) Estimated annual maintenance capital expenditures necessary to maintain the assets in good working order.
- (8) Converted to Canadian dollars from Australian dollars at an estimated forward rate of AUD/CAD 0.96
- (9) Estimated interest and principal payments on the debt used to fund the construction of the South Hedland power station. The interest and principal payments assume a principal amount of Cdn\$410 million, mortgage style debt amortized over a 20 year period at an interest rate of 5%.